

Reporting level	Detail	Quantity	Total Cost
Statistical information:			
Temporary		52	R1,198,000
Contract		0	0
Total cost to employer			R8,373,000
Total number, kilometers and total value of road projects planned and current:			
New bitumenised (number)		12km	R14,650,000
Existing re-tarred (number)		1.3km	R5,100,000
New gravel (number)			
Existing re-sheeted (number)		15,344km	R1,534,000
Total kilometers and maintenance cost associated with existing roads provided:			
Tar		552km	R6,489,000
Gravel		235km	R1,189,000
Estimated backlog in number of roads, showing kilometres and capital cost:			
Tar		235kms	R352,000
Gravel			
Type and number of grants and subsidies received:			
Provincial Infrastructure Grant			R8,045,000
Department of Roads, Transport and Public Works			R1,200,000
PTIF			R11,000,000
Own Municipal Funding			R5,405,000
Municipal Infrastructure Grant			R5,000,000
Total operating cost on road construction and maintenance function			R30,650,000
Key Performance Area	Performance during the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Repairing and resealing of streets.	At least 7,1km of surfaced roads were targeted for maintenance in the 07/08 budget. More funds should be allocated towards this function, at least a budget of R20 million a year towards this function, will improve the condition of the roads performance enormously. The road infrastructure is a valuable asset to the Municipality and has a high value, if not well maintained the lifespan of it will reduce rapidly.	7,1km	7,1km
Re-gravelling and scraping of gravel roads	30km of gravel roads were targeted for blading. This year approximately 15,344km of gravel roads were graded. It is impossible to cover areas that have been amalgamated with Sol Plaatje municipality due to inadequate resources and continuous breakdowns of dilapidated machinery.	15,344km	30km
Cleaning and repairing of stormwater drains	Approximately 3,791m of lined canals/channels were cleaned. Most of the allocation is spent on internal labour and temporary labour charge-outs which uses at least half of the allocation. If personnel charges are sourced separately, then more work will be achieved in a year.	3,791m	6,700m
Repairing of Sidewalks	The target set for the repairing of existing paved sidewalks was 5000m ² , excluding works orders from waterworks and electrical sections.	3,947m ²	5,000m ²
Maintenance of Street Names	The target was to repaint 1000No and erect 250No of Street Names.	172No	1000No
Patching of potholes	The internal maintenance team covered a total area of 24430m ² and the contractor covered 1256m ² .	25,686m ²	50,000m ²

23. Infrastructure and Services

Sub Function: Water Distribution

- Overview

Includes the bulk purchase and distribution of water.

- Description of the Activity

The water purchase and distribution functions of the municipality are administered as follows and include:

- Maintenance of water distribution network
- Expansion of water services to the local community
- Replacement of water pipes
- Installation of waterstand pipes within a distance of 200mm in informal settlements
- Purchase of bulk raw water for purification purpose
- Purification of raw water
- Maintenance of water distribution pumps
- Monitoring of water level in reservoir
- Provision of water connection in private development and properties.

Reporting Level	Detail	Total	Cost
	Number and cost to employer of all personnel associated with the water distribution function:	137	R 12,223,377
	- Professional (Engineers/Consultants)	1	R 431,424
	- Field (Supervisors/Foremen)	4	R 602,760
	- Office (Clerical/Administration)	1	R 251,496
	- Non-professional (blue collar, outside workforce)	86	R 5,048,544
	- Temporary	1	R 55,008
	- Contract	23	R 1,265,184

Months	Percentage of total water usage per month Raw Water Volume/Month in Kilolitres	Water sales	% usage/month
July 2007	1,999,004	1,163,898.93	58%
Aug 2007	2,077,525	1,059,884.61	51%
Sep 2007	2,322,919	1,159,130.61	50%
Oct 2007	2,028,444	1,090,081.07	54%
Nov 2007	2,072,651	1,021,031.52	49%
Dec 2007	2,297,969	1,159,397.51	50%
Jan 2008	2,202,766	1,415,692.17	64%
Feb 2008	1,785,506	1,205,093.15	67%
Mar 2008	2,146,280	1,150,771.76	54%
Apr 2008	2,055,852	1,144,867.24	56%
May 2008	1,933,636	1,167,240.70	60%
June 2008	1,447,950	1,251,623.45	86%
Total volume water purchased	24,370,502	13,988,712.72	58%
Total expenditure on bulk water purchase			R 26,683,682.42

Reporting Level	Detail	Total	Cost
	Number of households with water service, and type and cost of service:		
	- Piped water inside dwelling	49,000	R 362,600,000
	- Piped water inside yard	49,000	R 362,600,000
	- Piped water on community stand: distance < 200m from dwelling	250	R 187,500
	Number and cost of new connections:	843	R 309,275.16
	Number and cost of disconnections and reconnections:	0	0
	Number and total value of water projects planned and current:		
	- Current (financial year after year reported on) 2007/2008	6	R 21,414,650
	- Planned (future years) 2009/2010 financial year	9	R 29,684,247
	Anticipated expansion of water service (operating cost):		
	- Piped water inside dwelling	6,900	R 28,000,000
	- Piped water inside yard	6,900	R 28,000,000
	- Piped water on community stand: distance < 200m from dwelling	200	R 150,000
	Estimated backlog in number (and cost to provide) water connection:		R (000s)
	- Piped water inside dwelling	6,900	R 28,000,000
	- Piped water inside yard	6,900	R 28,000,000
	- Piped water on community stand: distance < 200m from dwelling	400	R 300,000
	Free Basic Service Provision:		
	- Quantity (number of households affected)	9,800	R 488,040
	- Quantum (value to each household) per month	6KL	R 49.80
	Type and number of grants and subsidies received:	4	R 20,084,000
	Total operating cost of water distribution function		R 74,037,313

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
	At least 422 households were provided with water in formal settlement: 238 Households in Donkerhoek; 184 Households in Ubuntu.	1,215	905

24. Infrastructure and Services

Sub Function: Electricity Distribution

- Overview

Includes the bulk purchase and distribution of electricity.

- Description of the Activity

The electricity purchases and distribution functions are administered as follows and include:

- Maintenance, repairs, refurbishment and replacement of existing equipment and infrastructure.
- Construction and installation of new infrastructure
- Implementation of electrification projects.
- These services extend to include the Kimberley area, but do not take account of Ritchie which resides within the jurisdiction of Eskom.

The strategic objectives of this function are to:

- Administer, maintain, upgrade and expand the electrical network.
- Ensure affordable and quality services to the community.

The key issues for 2008/09 are:

- To provide households access to basic electricity
- To reduce electricity losses
- To conduct maintenance on infrastructure
- To upgrade associated equipment and ensure quality and supply in compliance with NRS 048.

Reporting Level	Detail	Total	Cost
	Number and cost to employer of all personnel associated with the electricity distribution function:		
	- Professional (Engineers/Consultants)	1	
	- Field (Supervisors/Foremen)	3	
	- Office (Clerical/Administration)	8	
	- Non-professional (blue collar, outside workforce)	57	
	- Temporary	1	
	- Contract	2	
	Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer		
	- Residential	235,194,340	R 43,680,000
	- Commercial	62,524,904	R 10,567,000
	- Industrial	174,643,952	R 13,494,000
	- Mining	0	R 0
	- Agriculture	0	R 0
	Street Lighting	11,013,204	R 1,685,000

Reporting Level	Detail	Total	Cost
	Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:		
	- Household	185,834,745	R 83,340,000
	- Commercial	49,402,973	R 20,162,000
	- Industrial	137,991,902	R 25,746,000
	- Mining	0	R 0
	- Agriculture	0	R 0
	- Street Lighting	8,701,893	R 3,214,000
	Total year-to-date electricity losses in kilowatt hours and rand	101,445,887	R 39,983,000
	Number of households with electricity access, and type and cost of service:	48,242	R 6,876,000
	Electrified areas		
	- Municipal - Credit meters (14 824)	14,824	
	- Prepayment meters (33 418)	33,418	
	Number and cost of new connections:	124	R 1,034,000
	Number and cost of disconnections and reconnections		
	Disconnections: Conventional meters	11,986	R 6,112,860
	Prepaid meters	49,706	R 12,675,030
	Reconnections: Conventional	6,409	R 3,268,590
	Prepaid meters	11,614	R 2,961,570
	<i>The cost for discon/recon is a penalty charge of R510 per conventional meter and R255 per prepaid meter. Delivery of notices for discon are 1 trip for prepaid meters and 2 trips for conventional meters</i>		
	Number and total value of electrification projects planned and current:		
	- Current (financial year after year reported on) Greenpoint	262	R 2,349,000
	- Planned (future years)	-	R 103,023,000
	Estimated backlog in number (and cost to provide) electricity connection:		
	Soul City	4 500	1 441
	Free Basic Service Provision:		
	- Quantity (number of households affected)	9 848	
	- Quantum (value to each household)	50kWh	
	Type and number of grants and subsidies received:		
	De Beers Jun 2007 - Jul 2008	120	R 790,000
	DME Jun 2007 - Jul 2008	555	R 1,500,000
	Total operating cost of electricity distribution function		R 10,281,000
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Electrification of households	The following areas were electrified: Soul City (332), Greenpoint (100) and Otto Street (56)	488	300
Replacement of ageing infrastructure	Min-substations replaced	2	3
Restore Electricity Supply within NRS 047 requirements	Supply restored within 1,5 hours - 1497 interruptions	42.69%	30%
	Supply restored within 3,5 hours - 1246 interruptions	78.21%	60%
	Supply restored within 7,5 hours - 396 interruptions	89.51%	90%
	Supply restored within 24 hours - 127 interruptions	96.38%	98%
Electricity Losses		20.00%	13%

25. Infrastructure and Services

Sub Function: Street Lighting

- Overview

Includes all activities associated with the provision of street lighting to the community.

- Description of the Activity

Street lighting responsibilities of the municipality are administered as follows and include:

- Maintenance, repairs and installation of street lighting in main roads and residential streets
- Hi-mast lighting
- These services extend to include the Kimberley area of supply and Ritchie hi-mast lighting, but do not take account of Ritchie street lights which resides within the jurisdiction of Eskom.

The municipality has the mandate to:

Administer, maintain, upgrade and expand the street lighting network. .

The strategic objectives of this function are to:

Ensure street lights and hi-masts are maintained and in working order for safety and security as well as road safety purposes.

The key issues for 2008/09 are:

- To repair street cable faults
- To replace old cables
- To re-lamp hi-masts
- To replace existing lights with energy efficient lights.

Reporting Level	Detail	Total	Cost
	<i>Number and total operating cost of streetlights servicing population:</i>	7,000	R3,214,000
	<i>Total bulk kilowatt hours consumed for street lighting:</i>	8,701,893	
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
New installation	Thutlo street	38	38
	Stamper Street	28	28
Maintenance	Hi masts - Replace lamps	726	750
	Hi masts - Replace fittings	143	200
	Street light cable replaced (cables stolen or damaged) Meters	6,000	6,000

SOL PLAATJE MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE MUNICIPALITY ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

SOL PLAATJE MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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SOL PLAATJE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TF Mashilo
Municipal Manager
28 August 2008

SOL PLAATJE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R.	2007 R
NET ASSETS AND LIABILITIES			
Net assets		548 503 202	485 934 582
Housing Development Fund	1	0	0
Capital replacement reserve		7 798 525	12 915 083
Capitalisation reserve		55 295 717	61 963 833
Government grant reserve		269 344 619	231 347 890
Donations and public contribution reserves		18	18
Self-insurance reserve		16 611 805	16 729 389
COVID reserve		7 229 485	6 689 268
Revaluation reserve		0	0
Accumulated Surplus/(Deficit)		192 223 033	156 289 100
Non-current liabilities		46 599 946	50 611 495
Long-term liabilities	2	46 599 946	50 611 495
Non-current provisions	3	0	0
Current liabilities		146 645 140	116 569 504
Consumer deposits	4	8 706 501	7 507 437
Provisions	5	0	0
Creditors	6	54 461 282	45 659 755
Unspent conditional grants and receipts	7	27 552 361	5 883 743
VAT	8	19 430 149	26 534 171
Short-term loans	9	0	0
Bank overdraft	18	32 757 359	27 640 442
Current portion of long-term liabilities	2	3 737 487	3 343 957
Total Net Assets and Liabilities		741 748 288	653 115 581
ASSETS			
Non-current assets		464 964 878	406 591 274
Property, plant and equipment	10	464 856 373	391 791 266
Investment property	11	0	0
Investments	12	0	0
Long-term receivables	13	108 504	14 800 007
Current assets		276 783 411	246 524 307
Inventory	14	12 859 663	9 195 523
Consumer debtors	15	183 862 386	156 447 030
Other debtors	16	4 978 918	5 258 311
Current portion of long-term debtors	13	454 388	2 995 310
Call investment deposits	17	0	0
Bank balances and cash	18	74 628 055	72 628 135
Total Assets		741 748 289	653 115 581

Budget		Actual	
2007	2008	Note	2008
R	R		R
REVENUE			
Property rates	120 800 000	19	120 750 409
Service charges	335 500 000	20	330 625 136
Rental of facilities and equipment	10 300 000		10 480 433
Interest earned - external investments	8 500 000		11 450 596
Interest earned - outstanding debtors	49 856 000		48 051 954
Fines	4 450 000		4 307 087
Licenses and permits	3 550 000		2 622 746
Government grants and subsidies	122 137 829	21	117 247 007
Other income	11 500 000	22	11 154 417
Total Revenue	666 593 829		656 689 786
EXPENDITURE			
Employee related costs	222 728 227	23	227 546 153
Remuneration of Councilors	9 678 655	24	9 607 027
Bad debts	60 000 000	15	60 000 000
Collection costs	1 100 000		1 133 289
Depreciation	31 247 000		33 149 191
Repairs and maintenance	30 294 000		32 265 230
Interest paid	6 162 610	25	5 594 814
Bulk purchases	116 000 000	26	112 341 689
Grants and subsidies paid	610 000	27	531 368
General expenses	129 928 508	28	111 952 404
Loss on disposal of property, plant and equipment	0		0
Total Expenditure	607 749 000		594 121 165
SURPLUS/(DEFICIT)	58 844 829		62 568 621
Share of surplus/(deficit) of associate accounted for under the equity method	0	29	0
SURPLUS/(DEFICIT) FOR THE YEAR	58 844 829		62 568 621
604 299 590	607 749 000		594 121 165
201 849 290	222 728 227	23	227 546 153
9 996 800	9 678 655	24	9 607 027
40 000 000	60 000 000	15	60 000 000
735 575	1 100 000		1 133 289
29 172 014	31 247 000		33 149 191
26 222 593	30 294 000		32 265 230
6 311 073	6 162 610	25	5 594 814
112 000 000	116 000 000	26	112 341 689
440 000	610 000	27	531 368
116 744 950	129 928 508	28	111 952 404
0	0		0
543 472 295	607 749 000		594 121 165
60 827 295	58 844 829		62 568 621
0	0	29	0
60 827 295	58 844 829		62 568 621
583 695 569	656 689 786		656 689 786
199 362 788	227 546 153	23	227 546 153
9 656 230	9 607 027	24	9 607 027
40 000 000	60 000 000	15	60 000 000
777 097	1 133 289		1 133 289
29 812 962	33 149 191		33 149 191
23 202 551	32 265 230		32 265 230
5 960 617	5 594 814	25	5 594 814
104 437 859	112 341 689	26	112 341 689
390 367	531 368	27	531 368
115 578 035	111 952 404	28	111 952 404
64 096	0		0
529 242 602	594 121 165		594 121 165
54 452 967	62 568 621		62 568 621
0	0	29	0
54 452 967	62 568 621		62 568 621
583 695 569	656 689 786		656 689 786

Refer to Appendix E(1) for explanation of variances

SOL PLAATJE MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Housing Development Fund	Capital Replacement Reserve	Capitalization Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Self- Insurance Reserve	COD Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
		R	R	R	R	R	R	R	R	R	R
2007											
Balance at 1 July 2006	31	0	2 915 083	69 158 417	208 161 971	18	16 506 321	6 015 951	0	130 759 263	433 517 024
Change in accounting policy	32									0	0
Correction of error										-6 446 090	-6 446 090
Restated balance		0	2 915 083	69 158 417	208 161 971	18	16 506 321	6 015 951	0	124 313 173	427 070 934
Surplus/(deficit) for the year										58 863 648	58 863 648
Transfer to CRR										0	0
Property, plant and equipment purchased			10 000 000		36 507 805					-10 000 000	0
Capital grants used to purchase PPE										-36 507 805	0
Donated/contributed PPE										0	0
Contribution to Insurance Reserve							223 068	673 317		-896 386	0
Transfer to Housing Development Fund										0	0
Offsetting of depreciation				-7 194 584	-13 321 886					20 516 470	0
Balance at 30 June 2007		0	12 915 083	61 963 833	231 347 890	18	16 729 389	6 689 268	0	156 289 100	485 934 582
2008											
Change in accounting policy	31									0	0
Correction of error	32									0	0
Restated balance		0	12 915 083	61 963 833	231 347 890	18	16 729 389	6 689 268	0	156 289 100	485 934 582
Surplus/(deficit) for the year										62 568 621	62 568 621
Transfer to CRR			33 000 000							-33 000 000	0
Property, plant and equipment purchased			-38 116 558		53 433 994					38 116 558	0
Capital grants used to purchase PPE										-53 433 994	0
Donated/contributed PPE										0	0
Contribution to Insurance Reserve							-117 584	540 217		-422 632	0
Transfer to Housing Development Fund										0	0
Asset disposals										22 105 381	0
Offsetting of depreciation		0		-6 668 116	-15 437 265					0	0
Balance at 30 JUNE 2008		0	7 798 525	55 295 717	269 344 619	18	16 611 805	7 229 485	0	192 223 033	548 503 202

SOL PLAATJE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		534 260 810	454 018 426
Cash paid to suppliers and employees		497 343 794	458 361 247
Cash generated by operations	33	36 917 017	-4 342 821
Interest received		59 502 550	47 414 011
Interest paid		-5 594 814	-5 960 617
NET CASH FROM OPERATING ACTIVITIES		90 824 753	37 110 573
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-106 214 298	-43 523 023
(Increase)/decrease in long term receivables	13	14 691 503	-9 330
NET CASH FROM INVESTING ACTIVITIES		-91 522 795	-43 532 352
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)	2	-3 618 020	-3 264 246
Increase in consumer deposits	4	1 199 065	681 856
NET CASH FROM FINANCING ACTIVITIES		2 418 955	-2 582 390
NET DECREASE IN CASH AND CASH EQUIVALENTS		-3 116 997	-9 004 170
Cash and cash equivalents at the beginning of the year		44 987 693	53 991 863
Cash and cash equivalents at the end of the year	34	41 870 696	44 987 693

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarized as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the policies to the annual financial statements.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing. No Housing Development Fund exist presently.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized. The CRR is represented by cash or investment.

**SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

5.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds that had been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalization Reserve. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalization Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/(deficit). When an item of PPE is disposed, the balance in the CR relating to such items is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on Government Grant Reserve equals the carrying value of the items of properties, plant and equipment funded from government grants. When an item of PPE financed from government grants is disposed, the balance in the GGR relating to

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. The balance on the Donations and Public Contributions Reserve equals the carrying value of the item of property, plant and equipment funded from donations and public contributions.

When items of property, plant and equipment financed from public contributions and donations, the balance relating to such item is transferred to the accumulated surplus/(deficit).

5.5 Self Insurance Reserves - Short Term and Vehicles

The insurance reserves is maintained to cover potential claims or losses that may occur. Premiums are charged to the various directorates and paid into the operating accounts. Re-insurance cover is carried for catastrophic occurrences and is paid by the operating account of the reserve. The surplus or deficit on the operating accounts is transferred to the reserves at year end through the accumulated surplus/(deficit). The insurance reserves is represented by cash or investment.

5.6 COID Reserve - Workmen's Compensation

The municipality has been exempted from making contributions to the compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of the exemption from the commissioner, the municipality has established a COID reserve to cover potential claims from employees.

Premiums are charged to the various directorates and paid into the operating account. The surplus or deficit on the operating account is transferred to the reserve at year end through the accumulated surplus/(deficit). The COID reserves is represented by cash or investment.

5.7 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realized as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance. No revaluation reserve exist presently as no revaluation has been performed.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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6.PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

In terms of the exemptions granted by the Minister of Finance no review of useful life of items of PPE or the depreciation method applied to PPE was done as is required by GAMAP 17. No impairment testing was done for non-cash-generating assets as well as cash-generating assets due to the application of an exemption of IAS 36/AC 128 granted in Gazette 30013. Impairment testing, review of useful life and depreciation method of items of PPE and the residual value calculation will be performed in the next financial year.

The municipality is exempt from IAS 40 (AC 135) as it has not recognized any property as investment property but as property, plant and equipment in terms of GAMAP 17.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

<i>Infrastructure</i>	<i>Years</i>
Roads and Paving	10-30
Electricity	15-30
Water	15-20
Sewerage	10-20
Housing	30
<i>Community</i>	
Buildings	30
Recreational Facilities	15-30
Security	3 - 5
<i>Other</i>	
Buildings	30
Specialist vehicles	5 -15
Other vehicles	5
Office equipment	3 - 7
Furniture and fittings	10
Bins and containers	5
Specialized plant and equipment	2- 15
Landfill sites	30

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

7.REVALUATION OF LAND AND BUILDINGS

Land is currently stated at cost. Buildings are stated at cost less subsequent accumulated depreciation. No revaluation for land and buildings have been performed.

8.INVESTMENTS

Financial investments, which include fixed deposits and short-term call deposits invested in registered commercial banks, are stated at cost. Refer to accounting policy note nr 24 on financial instruments.

9.INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. In general, the basis of determining cost is the weighted average cost formula. Redundant and slow-moving inventories are identified, written off and disposed of.

All purified water stock on hand at the end of the financial year is recognized as Inventory in terms of GAMAP 12.

The municipality is exempt from recognizing an immovable capital asset as inventory in accordance with GAMAP 12 and recognizes the immovable capital asset as property, plant and equipment in terms of GAMAP 17. Furthermore the requirements of SAICA circular nr 9 of 2006 has been exempted by government gazette nr 30013.

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10.ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

11.TRADE CREDITORS

Trade creditors are stated at their nominal value.

12.REVENUE RECOGNITION

12.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings for whatever reason, have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meters cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized on a monthly basis by applying the approved tariff by Council per category.

Service charges relating to sewerage and sanitation are recognized on a monthly basis by applying the approved tariff by Council per category.

Interest and rentals are recognized on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognized on a time proportion basis. Revenue from the sale of goods is recognized when the risk is passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized

Exemption is granted by the Minister of Finance from paragraph 12 of GAMAP 9 in initial measurement of fair value of revenue by discounting all future receipts using an imputed rate of interest. The initial recognition at fair value in accordance with GAMAP 9 and IAS 39/AC 133 is exempt. The municipality recognizes revenue from the sale of goods and services at its face value. Any payables from the purchase of goods and services are also recognized at face value/cost.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof is virtually certain.

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13.CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

14.PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

15.CASH AND CASH EQUIVALENTS

Cash is cash on hand and cash with banks. Cash equivalents are all short-term liquid investments that are held with registered banking institutions with maturities of twelve months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in financial instruments and net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

16.UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17.IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18.FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19.FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the prevailing exchange rate on the dates of the transactions.

20.COMPARATIVE INFORMATION

20.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements as per new chart of accounts.

20.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

21.BORROWING COSTS

Borrowing costs are recognized as an expense in the Statement of Financial Performance.

22.EMPLOYEE BENEFITS

22.1 Short term employee benefits

The cost of short term employee benefits is recognized in the statement of financial performance in the financial year during which the payment is made.

Liabilities are raised for short term employee benefits that are unpaid at year-end and are measured at the undiscounted amount that the municipality expects to pay in exchange for that service that had accumulated at the reporting date.

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22.2 Retirement benefits

The Municipality provides retirement benefits for its employees and councillors in the form of both defined benefit and defined contribution plans. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued biannually on the projected unit credit method basis. Benefits identified are allocated on a proportional basis to all participating municipalities. The municipality recognizes its proportionate share as a liability which is settled through lump sum payments or increased future contributions.

Defined benefit plan accounting as required by IAS 19 / AC 116 have been exempted in terms of General Notice 552 of 2007 and had not been applied for the previous or current financial year.

23. LEASES

23.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalized at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognized on the straight-line basis over the term of the relevant lease.

23.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognized on a straight-line basis over the term of the relevant lease.

Exempted from recognizing operating lease payments on a straight-line basis if the amounts are recognized on the basis of the cash flows in the lease agreement (IAS 17 (AC 105))

24. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorized as either *Financial Assets* or *Financial Liabilities*.

24.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ♦ Long-term Receivables
- ♦ Consumer Debtors
- ♦ Other Debtors
- ♦ Short-term Investment Deposits
- ♦ Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Held at fair value through profit or loss
Unlisted Investments – Stock	Held at fairvalue through profit or loss
Unlisted Investments – Entities	Available for sale
Unlisted Investments – Joint Ventures	Available for sale
Investments in Associates	Available for sale
Bank Balances and Cash	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Call Investment Deposits	Held to maturity

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Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- ♦ they are classified as held for trading; or
- ♦ upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- ♦ Loans and Receivables;
- ♦ Held-to-Maturity Investments; or
- ♦ Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are financial assets that are created by providing money, goods or services directly to a debtor.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

24.2. Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ♦ Long-term Liabilities
- ♦ Consumer Deposits
- ♦ Creditors
- ♦ Unspent Conditional Grants and Receipts
- ♦ Bank Overdraft
- ♦ Short-term loans
- ♦ Current Portion of Long-term Liabilities
- ♦ VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognized in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors and Other Payables are stated at their nominal value.

24.3 Measurement

Financial Instruments in the current and prior years are recognized and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General Notice 552 of 2007.

24.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognized in accordance with IAS 39.

Accounts Receivable are carried at anticipated value. An estimate is made for doubtful debt based on a review of all outstanding amounts at year end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risk.

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24.5 Derecognition of Financial Assets

The municipality derecognizes Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

24.6 Derecognition of Financial Liabilities

The municipality derecognizes Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

24.7 Risk management of Financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.

Liquidity Risk:

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The entire IFRS 7 / IAS 144 has been exempted in terms of General notice 552 of 2007. However, according to the afore-mentioned General notice, this standard is to be replaced by IAS 32/ (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998. Thus the old IAS 32/ (AC 125) is still applicable. The requirements of the latter standard have been applied for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

25.RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26.EVENTS AFTER THE REPORTING DATE

Adjusting events after reporting date will be accounted for in the annual financial statements, while non adjusting events after the reporting date will be disclosed in the notes to the annual financial statements.

26.EXEMPTIONS

26.1 Full Advantage

The municipality had taken full advantage of all the exemptions by the Minister of finance in Government Gazette 30013 of 29 June 2007. These exemptions are for the 2006/07 and 2007/08 financial years.

26.2 Adjustment for full compliance

By complying fully with the standards that are now exempted and of which full advantage has been taken will result in changes in the following:

26.2.1 Statement of Financial Performance:

- Impairment loss/gain
- Changes in fair value of assets
- Adjustment expenditure for intangible assets

26.2.2 Statement of Financial Position:

- Property, plant and equipment adjusted for impairment
- Property, plant and equipment adjusted for intangible assets
- Recognizing of intangible assets

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	0	0
Inappropriate Surplus	0	0
Loans extinguished by Government on 1 April 1998	0	0
The Housing Development Fund is represented by the following assets and liabilities		
Property, plant and equipment (see note 10)	0	0
Housing Debtors (see note 13, 15)	0	0
Bank and cash	0	0
Sub-total	0	0
Creditors	0	0
Total Housing Development Fund Assets and Liabilities	0	0
2 LONG-TERM LIABILITIES		
Local Registered Stock Loans	0	0
Annuity Loans	50 337 432	53 955 452
Capitalized Lease Liability	0	0
Government Loans : Other	0	0
Sub-total	50 337 432	53 955 452
Less : Current portion transferred to current liabilities	-3 737 487	-3 343 957
Local Registered Stock Loans	0	0
Annuity Loans	-3 737 487	-3 343 957
Capitalized Lease Liability	0	0
Government Loans : Other	0	0
Total External Loans	46 599 946	50 611 495
Refer to Appendix A for more detail on long-term liabilities.		
ANNUITY LOANS		
Bear interest between 10 and 12% per annum and are repayable over a period of five to fifteen years. R24 000 000 of the Debtors book is ceded to cover a loan of DBSA .		
3 NON-CURRENT PROVISIONS		
None	0	0
Total Non-Current Provisions	0	0
4 CONSUMER DEPOSITS		
Electricity	2 936 728	2 200 857
Water	5 769 773	5 306 580
Total Consumer Deposits	8 706 501	7 507 437
No interest is paid to consumers when deposits are refunded.		
Guarantees held in lieu of Electricity and Water Deposits	2 152 867	2 147 892
5 PROVISIONS		
Current portion of non-current provisions (see note 3)	0	0
Total Provisions	0	0
6 CREDITORS		
Trade creditors	30 742 205	25 166 044
Payments received in advance	9 074 994	8 177 426
Retentions	0	0
Staff leave	14 516 972	12 187 984
Other creditors	127 112	128 302
Total Creditors	54 461 282	45 659 755
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
7.1 Conditional Grants from other spheres of Government	27 011 629	5 584 015
FM Grant	200 082	415 801
FBDM Grant	1 376 117	468 591
MIG Grants	10 124 969	0
Provincial Grants	15 310 662	4 699 623
7.2 Other Conditional Receipts	540 532	299 728
Developers Contributions – Electricity	0	0
Lotto Grant	540 532	180 466
Forlang Borlange Grant	0	13 113
DBSA Grant	0	106 149
Public contributions	0	0
Total Conditional Grants and Receipts	27 552 361	5 883 743
See Note 21 for reconciliation of grants from other spheres of government. These amounts are invested until utilized.		
8 VAT		
VAT payable	19 430 149	26 534 171
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
9 SHORT-TERM LOANS		
none	0	0

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10 PROPERTY, PLANT AND EQUIPMENT
30 June 2008

	Land and Buildings	Infra- structure	Community	Heritage	Other	Housing Rental	Total
	R	R	R	R	R	R	R
Reconciliation of Carrying Value							
Carrying values at 1 July 2007	0	304 595 262	46 979 940	0	40 216 065	0	391 791 266
Cost	0	541 676 232	66 393 286	0	65 506 119	0	693 575 637
Correction of error (note 32)	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Accumulated depreciation	0	-237 080 969	-19 413 346	0	-45 290 054	0	-301 784 370
- Cost	0	-237 080 969	-19 413 346	0	-45 290 054	0	-301 784 370
- Revaluation	0	0	0	0	0	0	0
Acquisitions	0	81 496 972	6 569 048	0	18 128 278	0	106 214 298
Capital under Construction	0	0	0	0	0	0	0
Increases/decreases in revaluation	0	0	0	0	0	0	0
Depreciation	0	-25 530 245	-2 120 235	0	-5 498 711	0	-33 149 191
- based on cost	0	-25 530 245	-2 120 235	0	-5 498 711	0	-33 149 191
- based on revaluation	0	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	0	0	0
Cost/revaluation	0	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0
Carrying values at 30 June 2008	0	360 561 989	51 448 753	0	52 845 632	0	464 856 373
Cost	0	623 173 204	72 982 334	0	103 634 397	0	799 789 935
Revaluation	0	0	0	0	0	0	0
Accumulated depreciation	0	-262 611 214	-21 533 581	0	-50 788 765	0	-334 933 561
- Cost	0	-262 611 214	-21 533 581	0	-50 788 765	0	-334 933 561
- Revaluation	0	0	0	0	0	0	0

PROPERTY, PLANT AND EQUIPMENT
30 June 2007

	Land and Buildings	Infra- structure	Community	Heritage	Other	Housing Rental	Total
	R	R	R	R	R	R	R
Reconciliation of Carrying Value							
Carrying values at 1 July 2006	0	295 089 405	42 978 996	0	40 076 903	0	378 145 304
Cost	0	508 736 300	60 471 135	0	80 951 787	0	650 159 441
Revaluation	0	0	0	0	0	0	0
Accumulated depreciation	0	-213 646 895	-17 492 358	0	-40 874 884	0	-272 014 137
- Cost	0	-213 646 895	-17 492 358	0	-40 874 884	0	-272 014 137
- Revaluation	0	0	0	0	0	0	0
Acquisitions	0	32 939 932	5 921 932	0	4 661 159	0	43 523 023
Capital under construction	0	0	0	0	0	0	0
Increases/decreases in revaluation	0	0	0	0	0	0	0
Depreciation	0	-23 434 074	-1 920 988	0	-4 457 900	0	-29 812 963
- based on cost	0	-23 434 074	-1 920 988	0	-4 457 900	0	-29 812 963
- based on revaluation	0	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	-64 097	0	-64 097
Cost/revaluation	0	0	0	0	-106 827	0	-106 827
Accumulated depreciation	0	0	0	0	-42 730	0	-42 730
Impairment losses	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0
Carrying values at 30 June 2007	0	304 595 262	46 979 940	0	40 216 065	0	391 791 266
Cost	0	541 676 232	66 393 286	0	65 506 119	0	693 575 637
Correction of error (note 32)	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Accumulated depreciation	0	-237 080 969	-19 413 346	0	-45 290 054	0	-301 784 370
- Cost	0	-237 080 969	-19 413 346	0	-45 290 054	0	-301 784 370
- Revaluation	0	0	0	0	0	0	0

Assets are in the process to be revalued to fair value. The revaluation will be used for the financials of 30 June 2009.

After revaluation it is foreseen that asset value is going to increase materially
The revaluation surplus is reconciled as follows: -

	2008	2007
Balance at beginning of year	R	R
Surplus realized	0	0
Balance at end of year	0	0

Refer to Appendix B for more detail on property, plant and equipment.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and assets and will recalculate accumulated depreciation if needed once this exercise has been completed. Depreciation on assets is calculated on an average basis of useful life for each category and using information as was available on the asset register, using global historical information in the accounting records. Furthermore, the Municipality has not assessed whether assets are impaired as this aspect of the standard has been exempted in terms of government gazette 30013.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
11 INVESTMENT PROPERTY		
none	0	0
12 INVESTMENTS		
<u>Listed</u>		
None	0	0
<u>Unlisted</u>		
None	0	0
Total Unlisted	0	0
<u>Financial Instruments</u>		
Fixed Deposits (mature in longer than 12 months)	0	0
Total Cash Investments	0	0
Total Investments	0	0
<i>Market valuation of listed investments</i>		
None	0	0
<i>Council's valuation of unlisted investments</i>		
None	0	0

13 LONG-TERM RECEIVABLES

Car loans	552 893	1 242 929
Sport Club loans	0	1 098
Interest and services capitalized	0	24 868 012
Less : Provision for bad debts	0	-63 487 687
Housing debtors loans	0	55 170 965
	552 893	17 795 317
Less : Current portion transferred to current receivables	454 388	2 995 310
Car loans	454 388	642 316
Sport Club loans	0	1 098
Housing debtors loans	0	2 351 896
Total	108 504	14 800 007

CAR LOANS

Staff are entitled to car loans which attract interest at 8% for senior and 10% for junior staff per annum and which are repayable over a maximum period of 6 years. These loans are to be phased out over the next years.

HOUSING SELLING SCHEME LOANS

Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. These loans attract interest of 10.5% per annum and are repayable over 20 years.

SPORT CLUB LOAN

A loan were granted to Park Tennis Club in 1987. This loan attracts interest of 9.5% per annum and was repayable by 31 December 2007.

14 INVENTORY

Inventory stores – at cost	12 596 088	8 947 321
Water – at cost	263 575	248 202
Other goods held for resale – at cost	0	0
Unsold properties held for resale – at realizable value	0	0
Total Inventory	12 859 663	9 195 523

15 CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2008			
Service debtors	368 308 643	-193 137 160	175 171 483
Rates	54 897 028	-193 137 160	-138 240 132
Electricity	45 475 252		45 475 252
Water	87 988 913		87 988 913
Refuse	39 045 110		39 045 110
Sewerage	44 221 657		44 221 657
Miscellaneous	96 680 684		96 680 684
Market	500 459	0	500 459
Other debtors	0	0	0
Housing debtors	8 190 444	0	8 190 444
Total	376 999 546	-193 137 160	183 862 386
As at 30 June 2007			
Service debtors	445 081 890	-297 725 638	147 356 251
Rates	40 155 208	-297 725 638	-257 570 430
Electricity	50 404 595		50 404 595
Water	70 113 412		70 113 412
Refuse	32 345 043		32 345 043
Sewerage	35 986 070		35 986 070
Miscellaneous	216 077 561		216 077 561
Market	546 249	0	546 249
Other debtors	0	0	0
Housing debtors	8 544 529	0	8 544 529
Total	454 172 668	-297 725 638	156 447 030

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15 CONSUMER DEBTORS (continued)

Rates: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 121 Days

Total

(Electricity, Water, Refuse and Sewerage): Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 121 Days

Total

Miscellaneous Services: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 121 Days

Total

Housing rentals: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 121 Days

Total

Summary of Debtors by Customer Classification

30 June 2008

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 121 Days

Total debtors by customer classification

Summary of Debtors by Customer Classification

30 June 2007

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 121 Days

Total debtors by customer classification

Reconciliation of the Bad Debt provision:-

Balance at the beginning of the year

Contribution to provision

Contribution of surplus/deficit account

Bad Debt written off against provision

Reversal of provision and other

Balance at the end of the year

2008

R

6 565 697

1 665 653

1 391 621

1 199 043

44 075 014

54 897 028

30 797 656

7 258 969

6 498 860

6 318 089

165 857 358

216 730 932

550 809

306 243

295 664

282 504

6 755 224

8 190 444

Industrial/

Commercial

R

7 091 314

870 171

682 138

546 407

14 162 342

23 352 372

Industrial/

Commercial

R

6 880 744

945 087

1 039 983

706 375

20 757 562

30 329 751

2007

R

5 810 878

1 605 227

1 306 594

1 354 018

30 078 491

40 155 208

27 904 677

8 019 505

7 821 801

7 101 762

138 001 376

188 849 121

924 127

370 767

351 755

338 141

6 559 739

8 544 529

National and

Provincial Government

R

3 657 940

76 374

168 389

50 566

1 849 586

5 802 855

National and

Provincial Government

R

665 431

151 516

104 449

178 287

1 635 517

2 735 200

2008

R

0

0

0

0

4 978 918

4 978 918

2007

R

0

0

0

614 700

4 643 611

5 258 311

16 OTHER DEBTORS

Payments made in advance

Unauthorized expenditure (see Note 36.1)

Fruitless and wasteful expenditure (see Note 36.2)

Government subsidies

Miscellaneous

Total Other Debtors

To see the real movement in total debtors note 13, 15 and 16 must be added. Total debtors 2008 : R 382 541 357
(2007 : R 533 166 719 ; 2006 : R 485 626 778 ; 2005 : R 471 354 925)

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
17 CALL INVESTMENT DEPOSITS	79 007 808	77 007 808
Other Deposits (mature within 12 months)		

A fixed deposit of R 2 297 808 was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

The allocation of investments :-

Capital replacement reserve	7 798 525	12 915 083
Insurance reserves	16 611 805	16 729 389
COLID reserves	7 229 485	6 689 268
Unspent grants	27 011 829	5 584 015
Consumer deposits	8 706 501	7 507 437
Cash book overdraft and operating account	11 649 663	27 582 616
	79 007 808	77 007 808

18 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following main bank accounts: -

Current Account (Primary Bank Account)

Standard Bank Kimberley Old Main Road
Account Number 040065367

Cash book balance at beginning of year / (overdrawn)	-27 640 442	-16 746 952
Cash book balance at end of year / (overdrawn)	-32 757 359	-27 640 442

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	668 781	772 284
Bank statement balance at end of year / (overdrawn)	4 029 982	668 781

Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	-40	0
Bank statement balance at end of year / (overdrawn)	83 866	-40

Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	0	0
Bank statement balance at end of year / (overdrawn)	0	0

Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	-40	-22
Bank statement balance at end of year / (overdrawn)	-30	-40

Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-40 498	0
Bank statement balance at end of year / (overdrawn)	-4 019	-40 498

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-40	-70
Bank statement balance at end of year / (overdrawn)	-30	-40

Savings Account

Investments redeemable within 90 days after year end	79 007 808	0
--	------------	---

Petty Cash

	30 927	31 007
--	--------	--------

19 PROPERTY RATES

Actual

Residential	49 825 137	45 400 710
Business	29 710 022	29 993 060
Residential Business	2 873 343	2 858 563
Rural	134 639	146 330
Industrial	3 335 171	3 311 444
Post Office (Now Business)	0	5 872
State	32 320 508	16 869 923
Mining areas	2 551 589	1 308 316
Exempt	0	0
Total Assessment Rates	120 760 409	99 894 218

Property Valuations

	July 2007 R000's Valuations	July 2006 R000's Site	July 2006 R000's Buildings
Residential	8 679 028	458 290 220	3 213 879 950
Business	1 649 886	122 116 710	760 184 800
Residential Business	274 856	14 053 200	118 162 400
Rural	283 823	175 932 318	71 882 000
Industrial	121 726	14 515 500	53 023 500
Post Office (Now Business)	0	30 000	70 000
State	1 403 919	43 897 050	410 921 600
Mining areas	25 660	10 825 460	34 576 800
Exempt	304 150	138 564 530	263 975 350
Total Property Valuations	12 743 048	978 224 988	4 926 676 400

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2007. Interim valuations are processed on a as received basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.010505 (2007: R0.018018) is applied to valuations to determine assessment rates. Rates are levied on an annual basis with the final date of payment being 30 November each year. Ratepayers can apply to pay rates monthly.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

20 SERVICE CHARGES	2008 R	2007 R
Sale of electricity	177 104 259	154 487 166
Sale of water	82 501 495	92 250 533
Refuse removal	24 521 027	23 057 435
Sewerage and sanitation charges	33 209 534	30 881 331
Other service charges	13 288 821	13 314 206
Total Service Charges	330 625 136	313 970 671
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	60 738 317	50 356 269
- Financial Management Grant	715 720	3 027 647
Frances Baard District Municipality	6 551 792	4 763 865
Provincial Projects	33 982 386	28 853 928
Provincial resort subsidies	487 000	445 000
Provincial health subsidies	2 070 900	1 950 800
- MIG Grant	12 700 893	6 288 132
Total Government Grant and Subsidies	117 247 007	95 695 641
21.1 Equitable Share		
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
21.2 Provincial Health Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote	2 070 900	1 950 800
Conditions met - transferred to revenue	-2 070 900	-1 950 800
Conditions still to be met - transferred to liabilities (see note 7)	0	0
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to health services (included in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy		
21.3 MIG Grant		
Balance unspent at beginning of year	0	0
Current year receipts	24 109 983	6 288 132
Conditions met - transferred to revenue	-13 985 015	-6 288 132
Conditions still to be met - transferred to liabilities (see note 7)	10 124 969	0
This grant was used for various projects (included in Appendix B). No funds have been withheld.		
21.4 Provincial Grant		
Balance unspent at beginning of year	4 699 623	9 232 180
Current year receipts	40 454 437	24 314 022
Conditions met - transferred to revenue	-29 843 398	-28 846 579
Conditions still to be met - transferred to liabilities (see note 7)	15 310 662	4 699 623
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix B). No funds have been withheld.		
21.5 Provincial Resort Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts	487 000	445 000
Conditions met - transferred to revenue	-487 000	-445 000
Conditions still to be met - transferred to liabilities (see note 7)	0	0
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to resort expenditure (included in Appendix D). The conditions of the grant have been met.		
21.6 Francis Baard District Municipality Grant		
Balance unspent at beginning of year	468 591	101 276
Current year receipts	7 459 318	5 131 179
Conditions met - transferred to revenue	-6 551 792	-4 763 865
Conditions still to be met - transferred to liabilities (see note 7)	1 376 117	468 591
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix B). No funds have been withheld.		
21.7 Financial Management Grant		
Balance unspent at beginning of year	415 801	2 943 448
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	-715 720	-3 027 647
Conditions still to be met - transferred to liabilities (see note 7)	200 082	415 801
The grant is spent in accordance with National Treasury guidelines (included in Appendix D). No funds have been withheld.		
21.8 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the next two financial years.		

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
22 OTHER INCOME		
Sale of housing	0	0
Other income	11 154 417	9 214 773
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 36)	0	0
Total Other Income	11 154 417	9 214 773
Included in other income is the following:-		
Premiums received and claims recovered	3 048 394	3 393 091
Miscellaneous revenue and sale of goods	7 208 564	5 337 768
	10 256 958	8 730 859

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	130 555 417	115 370 668
Employee related costs - Contributions for UIF, pensions and medical aids	36 373 387	32 458 842
Travel and other allowances	44 852 496	37 790 633
Housing subsidy	2 389 964	1 943 678
Overtime payments	7 028 416	5 959 487
Performance bonus	0	0
Long-service awards	6 345 473	5 839 480
Less: Employee costs capitalised to Property, Plant and Equipment	0	0
Less: Employee costs included in other expenses	0	0
Total Employee Related Costs	227 546 153	199 362 788

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	441 168	414 504
Performance Bonuses	0	0
Car Allowance	196 014	196 014
Medical, pension fund and other allowances	160 861	129 540
Total	798 043	740 058

Remuneration of the Chief Finance Officer

Annual Remuneration	385 376	363 048
Performance Bonuses	0	0
Car Allowance	170 340	170 340
Medical, pension fund and other allowances	162 324	127 501
Total	719 040	660 889

Remuneration of Individual Executive Directors

30 June 2008

	Community Directorate	Corporate Directorate	SED Directorate	Technical Directorate
	R	R	R	R
Annual Remuneration	310 200	286 376	363 048	386 388
Performance Bonuses	0	0	0	0
Car Allowance	149 502	170 340	170 340	170 344
Medical, pension fund and other allowances	43 140	128 478	128 181	130 092
Total	502 842	585 194	661 569	686 824

30 June 2007

	Community Directorate	Corporate Directorate	SED Directorate	Technical Directorate
	R	R	R	R
Annual Remuneration	363 048	363 048	363 048	363 048
Performance Bonuses	0	0	0	0
Car Allowance	170 340	170 340	170 340	170 340
Medical, pension fund and other allowances	127 501	109 180	127 501	123 265
Total	660 889	642 568	660 889	656 653

The amounts of directors can vary because of different allowances and some of the posts were vacant during the year under review.

24 REMUNERATION OF COUNCILORS

	2008 R	2007 R
Executive Mayor	485 203	451 352
Speaker	383 905	361 081
Councilors	7 975 143	7 689 635
Councilors' pension contribution	762 776	1 154 162
Total Councilors' Remuneration	9 607 027	9 656 230

In-kind Benefits

The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council. Both have use of a Council owned vehicle for official duties

25 INTEREST PAID

Long-term liabilities	5 594 814	5 960 617
Bank overdrafts	0	0
Total Interest on External Borrowings	5 594 814	5 960 617

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
26 BULK PURCHASES		
Electricity	91 793 273	88 770 740
Water	20 548 416	15 667 119
Total Bulk Purchases	112 341 689	104 437 859

27 GRANTS AND SUBSIDIES PAID

Subsidy paid to SPCA	260 000	117 993
Subsidy to GW Cricket Union	271 368	272 374
Total Grants and Subsidies	531 368	390 367

The subsidy is to help the GWCU to pay for the provincial cricket lights. The subsidy is paid on an annual basis. The last payment was in August 2007.

The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.

28 GENERAL EXPENSES

Included in general expenses is the following:-

28.1 Other:-		
Audit fees	1 522 571	2 010 480
Bank charges	720 142	599 017
Clarification	2 437 016	2 878 481
Course fees /Central training fund	1 707 790	1 385 496
Electricity	12 710 877	13 428 246
Fuel	6 105 685	4 332 694
Hire of Equipment	2 059 377	1 577 836
Indigent subsidy	8 633 707	8 036 751
Legal expenses	1 335 784	729 864
Membership fees	852 164	579 725
Postage	1 450 317	1 402 706
Printing and stationery	3 901 647	4 826 215
Professional fees	8 262 527	10 751 050
Projects	14 765 614	19 206 608
Service station	934 562	875 367
Stores	1 126 591	972 509
Telephone expenditure	5 572 834	3 816 180
Transport costs	6 804 761	7 513 983
Water	4 943 811	5 980 229
Ward committee activities	481 911	233 269
	86 329 668	91 136 706
28.2 Net exchange differences		
None	0	0
28.3 Material losses		
None	0	0

29 SURPLUS OF ASSOCIATE

Share of retained profit on the equity method	0	0
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30 PRIVATE PUBLIC PARTNERSHIPS

The municipality has no PPP's

31 CHANGE IN ACCOUNTING POLICY

The municipality applied the accounting framework as specified in government gazette 30013 of 29 June 2007. Where exemptions from standards or aspects of standards were accepted the facts are disclosed in the relevant accounting policies or associated notes.

Due to changes in the policy comparative figures can differ from previous years.

32 CORRECTION OF ERROR

32.1 Erroneous expenses and income was identified during the year re previous years:

Unknown Deposits	679 559	162 401
-Unknown Deposits (2005/06) corrected in the opening balance of the surplus account and note 6 retrospectively.	-500 784	500 784
-Unknown Deposits corrected in the statement of financial performance 2006/07 and notes 6 and 22 retrospectively.	-178 775	
Inventory corrections	0	-76 728
-Inventory adjustments (2006/07) corrected in statement of financial performance.		76 728
Correction on Sala pension fund for the period before 2006/07 corrected in opening balance of the surplus account.	0	-2 242 449
Correction on Receiver of revenue (vat corrections)	386 151	-905 232
-vat claim received re 2004/05 moved to adjust previous year opening balance of the surplus account.	-386 151	386 151
Correction on debtors control accounts adjusted on the previous year opening balance of the surplus account.	0	62 935
Other adjustments water inventory	0	-225 000
* -Water adjustment corrections 2006/07 corrected in statement of financial performance and note 26 retrospectively.		225 000
Net effect on surplus/(deficit) for the year	0	-2 035 410

32.2 Water inventory to the value of R248 201.90 was omitted during the previous year. This oversight has been corrected retrospectively. See note 14.

32.3 Debtors with credit balances to the value of R7 547 263 was shown as debtors instead as creditors during the previous year. Debtors and creditors were increased retrospectively. See notes 6 creditors and 15 debtors.

32.4 Cash flow is presented on the direct method and is presented retrospectively on the direct method as shown in the cash flow and note 33.

32.5 Related parties were never disclosed before and is now disclosed in note 46.

32.6 Operating leases were never disclosed before and is now disclosed in note 47 retrospectively.

32.7 Financial instruments were never disclosed previously and is now disclosed in note 48 retrospectively.

32.8 Correction of Revenue of Land Sales that was incorrectly recorded in the prior financial year. R 4 410 680

	2008 R	2007 R
33 CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	62 568 621	54 452 967
Investment income	-59 502 550	-47 414 011
(Increase)/decrease in debtors and (written of bad debts)	-84 874 435	-74 242 524
(Increase)/decrease in other debtors	279 392	-331 344
(Decrease)/increase in conditional grants and receipts	21 668 618	-7 689 263
Depreciation	33 149 191	29 812 962
Loss on disposal of property, plant and equipment	0	64 097
Contribution to bad debt provision	60 000 000	40 000 000
Surplus/(Deficit) account adjustments/errors	0	-2 035 410
Interest paid	5 594 814	5 960 617
(Increase)/Decrease in inventories	-3 664 140	-431 819
(Decrease)/Increase in creditors	8 801 528	-464 019
(increase)/Decrease in provisions	0	0
(decrease)/Increase in VAT	-7 104 022	-2 025 073
Cash generated by/(utilized in) operations	<u>36 917 017</u>	<u>-4 342 821</u>
Income for the year	656 689 786	588 106 249
Adjustment for:-		
Investment income	-59 502 550	-47 414 011
(Increase)/decrease in debtors and (written of bad debts)	-84 874 435	-74 242 524
(Increase)/decrease in other debtors	279 392	-331 344
(Decrease)/increase in conditional grants and receipts	21 668 618	-7 689 263
Cash receipts from ratepayers, government and other	<u>534 260 810</u>	<u>458 429 106</u>
Expenditure for the year	594 121 165	529 242 602
Adjustment for:-		
Depreciation	33 149 191	29 812 962
Loss on disposal of property, plant and equipment	0	64 097
Contribution to provisions - non-current	0	0
Contribution to provisions - current	0	0
Contribution to bad debt provision	60 000 000	40 000 000
Equity accounted share of associate's surplus	0	0
Dividends received	0	0
Surplus/(Deficit) account adjustments/errors	0	-2 035 410
Interest paid	5 594 814	5 960 617
Operating expenditure before working capital changes:	<u>495 377 160</u>	<u>455 440 336</u>
(Increase)/Decrease in inventories	-3 664 140	-431 819
(Decrease)/Increase in creditors	8 801 528	-464 019
(increase)/Decrease in provisions	0	0
(decrease)/Increase in VAT	-7 104 022	-2 025 073
Cash paid to suppliers and employees	<u>497 343 794</u>	<u>458 361 247</u>
Cash generated by/(utilized in) operations	<u>36 917 017</u>	<u>67 859</u>

34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	74 628 055	72 628 135
Bank overdraft	-32 757 359	-27 640 442
Total cash and cash equivalents	<u>41 870 696</u>	<u>44 987 693</u>

35 UTILIZATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 2)	50 337 432	53 955 452
Used to finance property, plant and equipment - at cost	50 337 432	53 955 452
Sub- total	0	0
Cash set aside for the repayment of long-term liabilities	0	0
Cash invested for repayment of long-term liabilities (see note 17)	0	0
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.	0	0

36 UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

36.1 Unauthorized expenditure

The municipalities budget for the 2007/08 financial year has been overspent on several items.
This matter will be corrected by obtaining a council resolution to ratify the omission to adjust the budget.

8 987 690 0

or

Reconciliation of unauthorized expenditure		
Opening balance	0	0
Unauthorized expenditure current year	0	0
Approved by Council or condoned	0	0
Transfer to receivables for recovery (note 16)	0	0
Unauthorized expenditure awaiting authorization	<u>0</u>	<u>0</u>

Incident	Disciplinary steps/criminal proceedings
Unbudgeted expenditure	none

36.2 Fruitless and wasteful expenditure

No instances of fruitless and wasteful expenditure incurred was identified during the year under review.

or

Reconciliation of fruitless and wasteful expenditure		
Opening balance	0	0
Fruitless and wasteful expenditure current year	0	0
Condoned or written off by Council	0	0
To be recovered - contingent asset (see note 40)	0	0
Fruitless and wasteful expenditure awaiting condonement	<u>0</u>	<u>0</u>

Incident	Disciplinary steps/criminal proceedings
None	none

36.3 Irregular expenditure

No instances of irregular expenditure incurred was identified during the year under review.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
Reconciliation of irregular expenditure		
Opening balance	0	0
Fruitless and wasteful expenditure current year	0	0
Condoned or written off by Council	0	0
Transfer to receivables for recovery – not condoned	0	0
Irregular expenditure awaiting condonement	0	0

Incident	Disciplinary steps/criminal proceedings
none	none

37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

37.1 Contributions to organized local government

	2008	2007
	R	R
Opening balance	0	0
Council subscriptions	836 123	576 174
Amount paid - current year	-836 123	-576 174
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.2 Audit fees

	2008	2007
	R	R
Opening balance	0	0
Current year audit fee	1 522 571	2 010 480
Amount paid - current year	-1 522 571	-2 010 480
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

37.4 PAYE and UIF

	2008	2007
	R	R
Opening balance	0	0
Current year payroll deductions	25 379 433	20 305 102
Amount paid - current year	-25 379 433	-20 305 102
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.5 Pension and Medical Aid Deductions

	2008	2007
	R	R
Opening balance	0	0
Current year payroll deductions and Council Contributions	53 167 250	48 568 359
Amount paid - current year	-53 167 250	-48 568 359
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.6 Councilor's arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at 30th June 2008

	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councilor Damoense EJ	468	468	
Councilor De Kock WE	365	365	
Councilor Fourie R	1 907	1 168	739
Councilor Louw A	62 699	2 045	60 654
Councilor Steyn JL	1 205	1 205	
Councilor Mazabane V	522	522	
Councilor Molale M	169	169	
Councilor Ntshangula A	340	340	
Total Councilor Arrear Consumer Accounts	67 675	6 283	61 392

	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councilor Louw A	98 015	693	97 322
Total Councilor Arrear Consumer Accounts	98 015	693	97 322

During the year the following Councilors' had arrear accounts outstanding for more than 90 days

	Highest Amount Outstanding	Ageing
30th June 2008		
Not available	0	0 days
30th June 2007		
Not available	0	0 days

37.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

37.7.1 The Municipality had deviated from the procurement policy and it was reported to council (See appendix G)

37.7.2 Awards to close family members of persons in the service of the state:

Name of Supplier	Name	Capacity	Amount
NB Mechanical Sales	S Barnes	Sol Plaatje Municipality	12 545 263
JC's Auto Clinique	J Malander	Teacher	77 241
S&R Enterprises	S Barnes	Sol Plaatje Municipality	479 047
Sulbrick Kimberley	Mr Suliman	Dept. Housing	0
Irrigation Equipment	B Julius	Sol Plaatje Municipality	321 785
Land Irrigation Suppliers	B Julius	Sol Plaatje Municipality	617 004
Kesmok	Y Mokgord	Judge Constitutional Court	41 061

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

38 CAPITAL COMMITMENTS

	2008 R	2007 R
Commitments in respect of capital expenditure:		
- Approved and contracted for	0	0
Infrastructure	0	0
Community	0	0
Other	0	0
- Approved but not yet contracted for	125 706 880	155 839 170
Infrastructure	120 033 880	105 348 000
Community	938 000	31 896 000
Other	4 735 000	18 495 170
Total	125 706 880	155 839 170
This expenditure will be financed from:		
- External Loans	52 850 000	35 000 000
- Capital Replacement Reserve	4 000 000	10 000 000
- Government Grants	62 661 880	90 574 170
- Other Grants	0	11 040 000
- Own resources	5 000 000	5 000 000
- District Council Grants	1 195 000	4 225 000
	125 706 880	155 839 170

39 RETIREMENT BENEFIT INFORMATION

The 30 June 2007 actuarial valuation of the Cape Joint Pension Fund showed that it was 107,2% funded. The 30 June 2007 valuator state that Cape Joint Retirement Fund is in a sound financial condition. The 1 July 2007 actuarial valuation of SALA pension Fund the valuation results showed that it was 110% funded. The valuator recommended that to retain a sound financial position, the employer continues to contribute at the current rate. At the valuation in 2005 SALA pension fund was 105% funded. The actuarial valuator of the Pension Fund for councilors on 30 June 2005 stated that it is in a sound financial position. (In 1999 it was a 100% funded)

Contributions by Council in respect of Councilor and employees retirement funding have been expended in the year

23 265 872	20 456 834
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40 CONTINGENT LIABILITY

40.1 Claim for damages	149 060	100 000
The Municipality is sued for various vehicle accidents. Litigation is in process.		
40.2 Claim for legal costs		375 815
The Municipality is sued for legal costs, for services rendered. The file has been closed.		
40.3 Claim for services rendered	1 898 976	
Claim for services rendered. Pleadings to be exchanged		
40.4 Contractual delictual claim	2 548 680	
The Municipality is sued for a contractual claim. Pleadings to be exchanged.		
40.5 Contractual disputes	22 568 873	487 866
The Municipality is sued for various contractual disputes. The claims is contested based on legal advice.		
40.6 Review application		300 000
The matter was finalized in favour of the municipality.		
40.7 Outstanding assessment of SARS on VAT		2 081 949
SARS informed Council that the claim was in order.		
40.8 Claim for evictions	360 000	
The Municipality is sued for various evictions. Litigations is in process.		
40.9 Claim for damages	7 794 404	
The Municipality is sued for a contractual claim. Council is contesting the claim based on legal advice.		
40.10 Claim for damages	30 000	
The Municipality is suing a prepaid seller of coupons. Cost to Council is predicted.		
40.11 Interdicts	410 000	
Various cases involving Council.		
40.12 Review application hearing	1 000 000	
Review application hearing re electricity prepaid system - no amount claimed.		
40.13 Claim for adjustment in remuneration		
The Municipality could have a future liability to bear due to the adjustment of remuneration packages of senior personnel.		
40.14 Claim for unpaid cheque		350 000
The Municipality was sued for an unpaid cheque. Claim was settled		
40.15 Labour matters (SALGBC)	270 000	
A case of unfair promotion is pending. Arguments finalized.		
40.16 Magistrate court matters	226 636	
Various cases involving Council.		
Guarantees by Sol Plaatje Municipality in respect of bank housing loans to officials	734 883	1 768 449

41 CONTINGENT ASSET

41.1 Claim against a seller of electricity coupons
Legal action has been proceeded against a seller of electricity coupons to the outstanding amount of R629 051-81. The contract with the seller was terminated on 2 December 2005. Interest at prime plus 1% will be calculated as from 1 November 2005.

41.2 Claim against a seller of electricity coupons
Legal action has been proceeded against a seller of electricity coupons to the outstanding amount of R806 244-61. The contract with the seller was terminated on 30 January 2008. Interest at prime plus 1% will be calculated as from 1 February 2008.

42 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance:

- Secondment of International Finance Advisor by National Treasury

43 EVENTS AFTER THE REPORTING DATE

Management have not identified any matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the municipality in future financial years.

44 CONTRACTUAL OBLIGATION

Retention Money (not included in creditors)	3 066 004	1 727 567
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45 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E (1) and E (2)

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

46 RELATED PARTIES

46.1 Related party relationships exist between the municipality and the following parties:
Municipal Manager, Chief Finance Officer, Directors of directorates,
Executive Mayor, Speaker and Councillors.
Close family members of the family of the abovementioned parties

46.2 Related party transactions

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:
Services rendered to related parties:

30 June 2008

Councillors

Municipal Manager and Section 57 Personnel

Total

30 June 2007

Councillors

Municipal Manager and Section 57 Personnel

Total

	Rates	Service Charges	Other	Outstanding Balances
30 June 2008	95 297	298 598	0	67 675
Councillors	24 108	54 893	0	0
Municipal Manager and Section 57 Personnel				
Total	119 405	353 491	0	67 675
30 June 2007				
Councillors	81 179	254 362	0	98 015
Municipal Manager and Section 57 Personnel	19 702	108 694	0	0
Total	100 881	363 056	0	98 015

The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

46.3 The compensation of key management personnel is set out in notes 23 and 24.

46.4 Related Party Loans

Loans to senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 13 to the Annual Financial Statements.

46.5 Other related party transactions

Other related party transactions are reflected in note 37.7

47 LEASES

47.1 Operating leases

The Municipality as lessee

Leasing arrangements:

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Computer and other equipment

Up to 1 year

2 to 5 years

More than 5 years

Total Operating Lease Arrangements

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments

Total Operating Lease Expenses - as Lessee

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

	2008 R	2007 R
Computer and other equipment	8 839 968	2 883 139
Up to 1 year	2 199 936	707 304
2 to 5 years	6 640 033	2 175 835
More than 5 years	0	0
Total Operating Lease Arrangements	8 839 968	2 883 139
Minimum lease payments	1 632 102	589 537
Total Operating Lease Expenses - as Lessee	1 632 102	589 537

47.2 Finance leases

Due to a lack of information from the service providers the process of identifying the leases were not completed on year end.

48 FINANCIAL INSTRUMENTS

48.1 Classification

Financial Assets

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:

Financial asset in statement of financial position

Long-term Receivables

Car Loans

Sport Club Loans

Interest and Services Capitalised

Housing Debtors Loans

Provision for Bad Debts

Consumer Debtors

Rates

Electricity

Water

Refuse

Sewerage

Miscellaneous

Market

Housing Debtors

Provision for Bad Debts

Other Debtors

Government Subsidies

Miscellaneous

Current Portion of Long-term Receivables

Car Loans

Sport Club Loans

Housing Debtors Loans

Short-term Investment Deposits

Call Investment Deposits

Bank Balances and Cash

Cash Floats and Advances

Total Financial Assets

Classification

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Loans and receivables

Held to maturity

Available for sale

600 614	
0	
24 868 012	
52 819 069	
-63 487 687	
40 155 208	
50 404 595	
70 113 412	
32 345 043	
35 986 070	
216 077 561	
546 249	
8 544 529	
(297 725 638)	
614 700	
4 643 611	
642 316	
1 098	
2 351 896	
77 007 808	
31 007	
256 539 472	

		2008	2007
		R	R
48 FINANCIAL INSTRUMENTS (CONTINUED)			
<u>Financial Liabilities</u>			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:			
Financial liability in statement of financial position	Classification		
<u>Long-term Liabilities</u>			
Annuity Loans	Not valued at FVTPL	46 599 946	50 611 495
Consumer Deposits			
Electricity	Not valued at FVTPL	2 936 728	2 200 857
Water	Not valued at FVTPL	5 769 773	5 306 580
<u>Accounts payable</u>			
Trade creditors	Not valued at FVTPL	30 742 205	25 165 044
Payments received in advance	Not valued at FVTPL	9 074 994	8 177 426
Staff leave	Not valued at FVTPL	14 516 972	12 187 984
Other creditors	Not valued at FVTPL	127 112	128 302
Bank overdraft			
Bank overdraft	Not valued at FVTPL	32 757 359	27 640 442
<u>Unspent Conditional Grants and Receipts</u>			
Other Spheres of Government	Not valued at FVTPL	27 011 829	5 584 015
Other Conditional Receipts	Not valued at FVTPL	540 532	299 728
VAT Payable			
VAT Control Accounts	Not valued at FVTPL	19 430 149	26 534 171
<u>Current Portion of Long-term Liabilities</u>			
Annuity Loans	Not valued at FVTPL	3 737 487	3 343 957
Total Financial Liabilities		193 245 086	167 180 999

(FVTPL = Fair Value through Profit or Loss):

48.2 Fair Value of Financial Instruments

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values on 30 June 2008, as a result of the short-term maturity of these assets and liabilities. These carrying amounts per classification of financial instrument are shown in the table below.

FINANCIAL ASSETS

Held to maturity:

Call Investment Deposits

Loans and Receivables

Long-term Receivables

Consumer Debtors

Other Debtors

Current Portion of Long-term Receivables

Available for Sale

Bank Balances and Cash

Total Financial Assets

FINANCIAL LIABILITIES

Trade and Other Payables:

Long-term Liabilities

Consumer Deposits

Creditors

Bank Overdraft

Unspent Conditional Grants

VAT Payable

Current Portion of Long-term Liabilities

Total Financial Liabilities

Total Financial Instruments

2008 Carrying Amount R	2008 Fair Value R	2007 Carrying Amount R	2007 Fair Value R
79 007 808	79 007 808	77 007 808	77 007 808
<u>79 007 808</u>	<u>79 007 808</u>	<u>77 007 808</u>	<u>77 007 808</u>
189 404 197	189 404 197	179 500 657	179 500 657
108 504	108 504	14 800 007	14 800 007
183 862 386	183 862 386	156 447 030	156 447 030
4 978 918	4 978 918	5 258 311	5 258 311
454 388	454 388	2 995 310	2 995 310
30 927	30 927	31 007	31 007
<u>30 927</u>	<u>30 927</u>	<u>31 007</u>	<u>31 007</u>
<u>268 442 932</u>	<u>268 442 932</u>	<u>256 539 472</u>	<u>256 539 472</u>
193 245 086	193 245 086	167 180 999	167 180 999
46 599 946	46 599 946	50 611 495	50 611 495
8 706 501	8 706 501	7 507 437	7 507 437
54 461 282	54 461 282	45 659 755	45 659 755
32 757 359	32 757 359	27 640 442	27 640 442
27 552 361	27 552 361	5 883 743	5 883 743
19 430 149	19 430 149	26 534 171	26 534 171
3 737 487	3 737 487	3 343 957	3 343 957
<u>193 245 086</u>	<u>193 245 086</u>	<u>167 180 999</u>	<u>167 180 999</u>
<u>75 197 846</u>	<u>75 197 846</u>	<u>89 358 473</u>	<u>89 358 473</u>

Unrecognised Gain / (Loss)

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 2, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 18 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Net Debt

Equity

Net debt to equity ratio

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 2 to 9. Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

2008 R	2007 R
193 245 086	167 180 999
552 913 683	490 345 262
34.95%	34.09%

48 FINANCIAL INSTRUMENTS (CONTINUED)

48.4 Financial Risk Management Objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

48.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors and bank and cash balances.

The municipality limits its counterparty exposures from its investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings.

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of note 48.10.

48.8 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier repriced.
30 June 2008

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		0	9 801	71 740	295 604	49 960 288	50 337 433
Loan No 10112: DBSA	10.00%					17 105 877	17 105 877
Loan No 10113: DBSA	12.00%					14 464 047	14 464 047
Loan No 10616: DBSA	12.00%					5 628 811	5 628 811
Loan No 101452:DBSA	10.91%					12 753 778	12 753 778
Loan No 1 : DBCM	11.25%		9 801				9 801
Loan No 2 : DBCM	11.25%			5 050			5 050
Loan No 3 : DBCM	11.25%			66 690			66 690
Loan No 4 : DBCM	11.25%				51 571		51 571
Loan No 5 : DBCM	11.25%				1 800		1 800
Loan No 6 : DBCM	11.25%				88 833		88 833
Loan No 7 : DBCM	11.25%				59 137		59 137
Loan No 8 : DBCM	11.25%				83 815		83 815
Loan No 9 : DBCM	11.25%				10 448		10 448
Loan No 10 : DBCM	11.25%					7 775	7 775
Total Fixed Rate Instruments		0	9 801	71 740	295 604	49 960 288	50 337 433
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		0	79 007 808	0	0	0	79 007 808
Bank Balances and Cash		30 927	0	0	0	0	30 927
Total Variable Rate Instruments		30 927	79 007 808	0	0	0	79 038 735

30 June 2007

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		0	0	-18 584	-352 630	-53 584 238	-53 955 452
Loan No 10112: DBSA	10.00%					-18 724 546	-18 724 546
Loan No 10113: DBSA	12.00%					-15 492 846	-15 492 846
Loan No 10616: DBSA	12.00%					-5 961 140	-5 961 140
Loan No 101452:DBSA	10.91%					-13 287 552	-13 287 552
Loan No 1 : DBCM	11.25%			-18 584			-18 584
Loan No 2 : DBCM	11.25%				-7 985		-7 985
Loan No 3 : DBCM	11.25%				-94 944		-94 944
Loan No 4 : DBCM	11.25%				-68 559		-68 559
Loan No 5 : DBCM	11.25%				-2 280		-2 280
Loan No 6 : DBCM	11.25%				-108 563		-108 563
Loan No 7 : DBCM	11.25%				-70 299		-70 299
Loan No 8 : DBCM	11.25%					-97 467	-97 467
Loan No 9 : DBCM	11.25%					-11 935	-11 935
Loan No 10 : DBCM	11.25%					-8 752	-8 752
Total Fixed Rate Instruments		0	0	-18 584	-352 630	-53 584 238	-53 955 452
VARIABLE RATE INSTRUMENTS							

Short-term Investment Deposits		0	77 007 808	0	0	0	77 007 808
Bank Balances and Cash		31 007	0	0	0	0	31 007
Total Variable Rate Instruments		31 007	77 007 808	0	0	0	77 038 815

48 FINANCIAL INSTRUMENTS (CONTINUED)

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2008

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-Interest Bearing	%	R	R	R	R	R	R
- Consumer Deposits						8 706 501	8 706 501
- Creditors		54 461 282					54 461 282
- Unspent Conditional Grants			27 552 361				27 552 361
- VAT Payable		19 430 149					19 430 149
Variable Interest Rate Instruments							
- Bank Overdraft		32 757 359					32 757 359
Fixed Interest Rate Instruments							
Loan No 10112: DBSA	10.00%	1 686 506	1 686 506	3 373 012	10 119 037	7 942 453	24 807 514
Loan No 10113: DBSA	12.00%	1 390 120	1 390 120	2 780 239	8 340 718	9 775 260	23 676 458
Loan No 10616: DBSA	12.00%	504 931	504 931	1 009 863	3 029 589	4 490 081	9 539 396
Loan No 101452:DBSA	10.91%	987 050	987 050	1 974 100	5 922 299	12 834 297	22 704 796
Loan No 1 : DBCM	11.25%	5 317	5 318				10 635
Loan No 2 : DBCM	11.25%	1 877	1 877	1 875			5 628
Loan No 3 : DBCM	11.25%	19 081	19 081	38 163			76 325
Loan No 4 : DBCM	11.25%	12 118	12 118	24 237	12 117		60 590
Loan No 5 : DBCM	11.25%	362	362	724	722		2 170
Loan No 6 : DBCM	11.25%	15 702	15 702	31 403	47 105		109 911
Loan No 7 : DBCM	11.25%	9 383	9 383	18 765	37 528		75 058
Loan No 8 : DBCM	11.25%	12 122	12 122	24 244	60 612		109 101
Loan No 9 : DBCM	11.25%	1 394	1 394	2 789	8 368		13 945
Loan No 10 : DBCM	11.25%	967	967	1 934	5 803	966	10 637
		111 295 720	32 199 292	9 281 348	27 583 898	43 749 559	224 109 817

30 June 2007

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-Interest Bearing							
- Consumer Deposits						7 507 437	7 507 437
- Creditors		45 659 755					45 659 755
- Unspent Conditional Grants			5 883 743				5 883 743
- VAT Payable		26 534 171					26 534 171
Variable Interest Rate Instruments							
- Bank Overdraft		27 640 442					27 640 442
Fixed Interest Rate Instruments							
Loan No 10112: DBSA	10.00%	1 686 506	1 686 506	3 373 012	10 119 037	11 315 465	28 180 526
Loan No 10113: DBSA	12.00%	1 390 120	1 390 120	2 780 239	8 340 718	12 555 499	26 456 695
Loan No 10616: DBSA	12.00%	504 931	504 931	1 009 863	3 029 589	5 499 944	10 549 259
Loan No 101452:DBSA	10.91%	987 050	987 050	1 974 100	5 922 299	14 808 397	24 678 895
Loan No 1 : DBCM	11.25%	5 317	5 317	10 635			21 269
Loan No 2 : DBCM	11.25%	1 877	1 877	3 753	1 875		9 382
Loan No 3 : DBCM	11.25%	19 081	19 081	38 162	38 163		114 487
Loan No 4 : DBCM	11.25%	12 118	12 118	24 237	35 354		84 827
Loan No 5 : DBCM	11.25%	362	362	724	1 446		2 894
Loan No 6 : DBCM	11.25%	15 702	15 702	31 403	78 508		141 315
Loan No 7 : DBCM	11.25%	9 383	9 383	18 765	56 293		93 823
Loan No 8 : DBCM	11.25%	12 122	12 122	24 244	72 733	12 124	133 345
Loan No 9 : DBCM	11.25%	1 394	1 394	2 789	8 366	2 791	16 734
Loan No 10 : DBCM	11.25%	967.09	967.09	1 934.18	5 802.54	2 901	12 571
		104 481 297	10 530 673	9 293 860	27 711 183	44 197 120	196 214 133

48.10 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors.

Consumer debtors are presented net of an allowance for doubtful debt. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are evaluated annually at balance sheet date for impairment.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date:

	2008 R	2007 R
Counterparty and Location	Carrying Amount	Carrying Amount
Call investment deposits	79 007 808	77 007 808
Department of Housing and Local Government	11 996 061	0
Promade PTY (LTD)	1 657 890	1 657 890
Diamond Knitting (PTY) LTD	1 633 077	1 482 771
National Road Agency	1 565 705	0

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables
Consumer Debtors
Other Debtors
Bank and Cash Balances
Call investment deposits

Maximum Credit and Interest Risk Exposure

108 504
183 862 386
4 978 918
30 927
79 007 808
<u>267 988 544</u>

14 800 007
156 447 030
5 258 311
31 007
77 007 808
<u>253 544 162</u>

APPENDIX A
SOL PLAATJE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS		Balance at 30/06/07	Received during the period	Redeemed written off during the period	Balance at 30/06/08	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		R	R	R	R	R	R
LONG-TERM LOANS							
None		0	0	0	0	0	0
Total long-term loans		0	0	0	0	0	0
ANNUITY LOANS							
DBSA Loan @ 10%	10112	18 724 546		1 618 669	17 105 877		
DBSA Loan @ 12%	10113	15 492 846		1 028 799	14 464 047		
DBSA Loan @ 12%	10616	5 961 140		332 329	5 628 811		
DBSA Loan @ 10.91%	101452	13 287 552		533 774	12 753 778		
Sub total DBSA		53 466 084	0	3 513 571	49 952 513	66 886 588	
DBCM Loan @ 11.25%	1	18 584		8 784	9 801		
DBCM Loan @ 11.25%	2	7 985		2 935	5 050		
DBCM Loan @ 11.25%	3	94 944		28 254	66 690		
DBCM Loan @ 11.25%	4	68 559		16 988	51 571		
DBCM Loan @ 11.25%	5	2 280		480	1 800		
DBCM Loan @ 11.25%	6	108 563		19 730	88 833		
DBCM Loan @ 11.25%	7	70 299		11 162	59 137		
DBCM Loan @ 11.25%	8	97 467		13 653	83 815		
DBCM Loan @ 11.25%	9	11 935		1 487	10 448		
DBCM Loan @ 11.25%	10	8 752		976	7 775		
Sub total DBCM		489 368		104 449	384 919		
Total Annuity loans		53 955 452	0	3 618 020	50 337 432	66 886 588	0
GOVERNMENT LOANS							
- Other		0	0	0	0	0	0
Total Government Loans		0	0	0	0	0	0
LEASE LIABILITY							
Infrastructure		0	0	0	0	0	0
TOTAL EXTERNAL LOANS		53 955 452	0	3 618 020	50 337 432	66 886 588	0

APPENDIX B

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	0	0	0	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Infrastructure										
Storm water	56 769 244	6 020 420			62 789 664	13 742 434	2 706 606		16 449 040	46 340 624
Roads	124 747 382	33 652 700			158 400 082	47 792 470	6 438 148		54 230 618	104 169 464
Pavements	27 008	2 402 306			2 429 314	21 606	15 147		36 753	2 892 561
Parking	1 661 298				1 661 298	103 831	83 065		186 896	1 474 402
Refuse sites	160 000				160 000	32 000	5 333		37 333	122 667
Other	97 427 465	1 102 778			98 530 243	63 462 687	4 270 819		67 733 506	30 756 737
Sewerage	68 777 068	6 808 080			75 585 148	30 000 430	3 260 228		33 260 658	42 324 490
Electricity	80 270 829	25 306 735			105 577 564	34 259 008	3 590 312		37 849 320	67 728 244
Street lights	15 341 041	854 357			16 195 398	6 372 684	871 171		7 243 835	8 951 563
Water	96 494 895	5 349 596			101 844 491	41 293 840	4 289 416		45 583 256	56 261 235
	541 676 231	81 496 972	0	0	623 173 203	237 080 970	25 530 245	0	262 611 215	360 561 988
Community Assets										
Parks & Gardens	2 768 738	1 329 851			4 098 589	372 032	95 985		468 017	3 630 572
Libraries	6 696 131				6 696 131	2 124 212	195 734		2 319 946	4 376 185
Recreation	33 327 967	2 879 834			36 207 801	10 722 165	1 074 989		11 797 154	24 410 647
Halls	4 658 646	301 854			4 960 500	980 974	156 123		1 137 097	3 823 403
Clinics	4 175 969				4 175 969	1 717 089	133 193		1 850 282	2 325 687
Other	14 765 833	2 077 509			16 843 342	3 496 874	464 211		3 961 085	12 882 257
	66 393 286	6 589 048	0	0	72 982 334	19 413 346	2 120 235	0	21 533 581	51 448 753
Heritage Assets										
Historical Buildings	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total carried forward	608 069 517	88 086 020	0	0	696 155 537	256 494 316	27 650 480	0	284 144 796	412 010 741

APPENDIX B (CONTINUED)
 ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost			Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
Total brought forward	608 069 517	88 086 020	0	0	696 155 537	256 494 316	27 650 480	0	412 010 741
Housing Rental Stock	0	0	0	0	0	0	0	0	0
Housing Rental	0	0	0	0	0	0	0	0	0
Leased Assets (Infrastructure)	0	0	0	0	0	0	0	0	0
Sewerage Mains & Purify	0	0	0	0	0	0	0	0	0
Other Assets	12 973 191				12 973 191	8 690 164	168 103		4 114 924
Other Land & Buildings	3 355 228				3 355 228	1 470 539	105 742		1 576 281
Markets	26 288				26 288	26 287			1
Security	35 888 767	1 011 491			36 900 258	19 207 316	821 553		16 871 389
Civic Land & Buildings	1 972 192	8 108 197			10 080 389	1 163 965	437 677		8 478 747
Office Equipment	17 283 305	197 877			17 481 182	5 951 804	1 724 259		9 805 119
Furniture & Fittings	11 646 415	4 558 675			16 205 090	7 841 269	1 455 604		6 908 217
Motor vehicles	1 292 000				1 292 000	582 466	129 200		580 334
Fire engines	1 068 734	4 252 038			5 320 772	356 244	656 574		4 307 954
Refuse tankers	85 506 119	18 128 278	0	0	103 634 397	45 290 054	5 498 711	0	52 845 632
Total	693 575 636	106 214 298	0	0	799 789 934	301 784 370	33 149 191	0	464 856 373

APPENDIX C

TOTAL

APPENDIX D
SOL PLAATJE MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2008

	2007	2007	2007	2008	2008	2008
	Actual	Actual	Surplus/ (Deficit)	Actual	Actual	Surplus/ (Deficit)
	Income	Expenditure		Income	Expenditure	
	R	R	R	R	R	R
Executive and Council	50 645	12 986 772	-12 936 127	0	14 451 864	-14 451 864
Municipal General	139 809 655	71 635 470	68 174 185	175 509 494	87 471 053	88 038 441
Municipal Manager	570 823	5 700 501	-5 129 678	303 879	6 843 331	-6 539 452
Corporate Services	1 929 735	25 058 332	-23 128 597	1 760 505	31 789 263	-30 028 758
Community Services	14 820 581	72 551 970	-57 731 389	16 354 259	82 000 809	-65 646 550
Financial services	110 391 605	37 495 788	72 895 817	127 457 071	40 838 448	86 618 623
Strategic and Economic Development	4 778 715	17 644 380	-12 865 665	5 208 167	19 763 042	-14 554 875
Infrastructure and Services	311 343 811	314 474 610	-3 130 799	330 096 411	341 873 106	-11 776 695
Sub Total	<u>583 695 570</u>	<u>557 547 822</u>	<u>26 147 747</u>	<u>656 689 786</u>	<u>625 030 916</u>	<u>31 658 870</u>
Less Inter-Dep Charges		-28 305 220	28 305 220		-30 909 751	30 909 751
Total	<u>583 695 570</u>	<u>529 242 602</u>	<u>54 452 967</u>	<u>656 689 786</u>	<u>594 121 165</u>	<u>62 568 621</u>
Add: Share of Associate			<u>0</u>			<u>0</u>
			<u>54 452 967</u>			<u>62 568 621</u>

APPENDIX E(1)
SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	120 750 409	120 800 000	-49 591	0%	
Service charges	330 625 136	335 500 000	-4 874 864	-1%	
Rental of facilities and equipment	10 480 433	10 300 000	180 433	2%	
Interest earned - external investments	11 450 596	8 500 000	2 950 596	35%	Due to an increase in interest rates
Interest earned - outstanding debtors	48 051 954	49 856 000	-1 804 046	-4%	
Fines	4 307 087	4 450 000	-142 913	-3%	
Licenses and permits	2 622 746	3 550 000	-927 254	-26%	Due to license fees not realizing
Government grants and subsidies	117 247 007	122 137 829	-4 890 822	-4%	
Other income	11 154 417	11 500 000	-345 583	-3%	
Total Revenue	656 689 786	666 593 829	-9 904 043	-1%	
EXPENDITURE					
Employee related costs	227 546 153	222 728 227	4 817 926	2%	
Remuneration of Councilors	9 607 027	9 678 655	-71 628	-1%	
Bad debts	60 000 000	60 000 000	0	0%	
Collection costs	1 133 289	1 100 000	33 289	3%	
Depreciation	33 149 191	31 247 000	1 902 191	6%	
Repairs and maintenance	32 265 230	30 294 000	1 971 230	7%	Due to deficits on costing accounts
Interest on external borrowings	5 594 814	6 162 610	-567 796	-9%	Due to loan not taken up in full
Bulk purchases	112 341 689	116 000 000	-3 658 311	-3%	
Grants and subsidies paid	531 368	610 000	-78 632	-13%	Due to public grants not made
General expenses - other	111 952 404	129 928 508	-17 976 104	-14%	Savings to make a contribution to CRR
Total Expenditure	594 121 165	607 749 000	-13 627 835	-2%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	62 568 621	58 844 829	3 723 792	6%	

APPENDIX E(2)
SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual	2008 Under Construction	2008 Total Additions	2008 Budget	2008 Variance	2008 Variance greater than 5% versus Budget
	R	R	R	R	R	%
Executive and Council	5 154	0	5 154	5 200	-46	-1%
Municipal General	8 615	0	8 615	8 700	-85	-1%
Municipal Manager	59 521	0	59 521	60 000	-479	0%
Corporate Services	109 789	0	109 789	110 000	-211	0%
Community Services	5 620 480	0	5 620 480	7 223 000	-1 602 520	-22%
Financial Services	7 904 054	0	7 904 054	7 641 000	263 054	3%
Strategic and Economic development	3 220 664	0	3 220 664	3 340 113	-119 449	-4%
Infrastructure and Services	89 286 023	0	89 286 023	101 138 463	-11 852 440	-12%
						Meters, roads and other roll over projects
TOTAL	106 214 300	0	106 214 300	119 526 476	-13 312 176	-11%
						Roll over projects

**APPENDIX F
SOL PLAATJE MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT**

Grants and Subsidies received for the year ended 30 June 2008

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year		Total Expenditure for the Year		Delay \ withheld		Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Total	Total	Total	Total	Total	Total				
Environmental Health	Provincial	188 100	188 100	188 100	188 100	0	0	187 000	None	Yes	None
Library Services	Provincial	743 000	743 000	893 270	893 270	0	0	743 000	None	Yes	None
Primary Health	Provincial	1 882 800	1 882 800	1 882 800	1 882 800	0	0	1 881 000	None	Yes	None
Subsidy Resort	Provincial	487 000	487 000	487 000	487 000	487 000	487 000	487 000	Payment not yet received. Revenue accrued.	Yes	None
Equitable Share	National	60 738 317	60 738 317	N/A	N/A	0	0	60 738 000	None	Yes	None
Financial Management Grant	National	500 000	500 000	715 720	715 720	0	0	500 000	None	Yes	None
MIG	National	24 109 983	24 109 983	13 985 015	13 985 015	0	0	25 610 000	None	Yes	None
MSIP	National	734 000	734 000	734 000	734 000	0	0	734 000	None	Yes	None
NDOT	National	11 000 000	11 000 000	8 311 788	8 311 788	0	0	11 000 000	None	Yes	None
Frances Baard Municipality	Municipality	7 459 318	7 459 318	6 551 792	6 551 792	0	0	N/A	None	N/A	None
DPLG	Provincial	12 000 000	12 000 000	12 000 000	12 000 000	0	0	12 000 000	None	Yes	None
DTPW	Provincial	2 184 273	2 184 273	2 184 273	2 184 273	0	0	0	None	N/A	None
Provincial projects	Provincial	17 878 615	17 878 615	11 180 310	11 180 310	0	0	0	None	N/A	None
		139 905 406		59 114 068		487 000		113 880 000			

APPENDIX G
SOL PLAATJE MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2008

No.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1	Much Asphalt	Hot Asphalt (Hot Premix)	145 000	G. van Wyk	An emergency
2	Much Asphalt	Hot Asphalt (hot Premix)	40 800	G. van Wyk	An Emergency
3	R&C Traders	Equipment for establishment of Contracts Department	72 744	N. Sonquise	An Emergency
4	Kuniso Info Techn Holdings	Laptops for Councilors	178 798	M. Nlangani	An Emergency
5	WEIRD	Hire of Grader	48 800	L. van der Linde	An Emergency
6	Kotze E/Moving	Hire of Grader	45 800	L. van der Linde	An Emergency
7	P.E. V.D. Sandt H/A Diesel Tech	Hire of Flatbed	48 000	L. van der Linde	An Emergency
8	TP'S Plant Hire & Const.	Hire of Flatbed Truck	48 000	L. van der Linde	An Emergency
9	Khumiso IT Holdings Pty Ltd	Laptops for Councilors	263 335	M. Nlangani	Exceptional Cases
10	WEIRD	Hire of Front End Loader	67 200	L. van der Linde	An Emergency
11	WEIRD	Hire of Tipper Truck	60 192	L. van der Linde	An Emergency
12	TP'S Plant Hire	Hire of Flatbed Truck	208 000	L. van der Linde	An Emergency
13	Marcu Handelaars	Hire of Water Tanker	88 400	L. van der Linde	An Emergency
14	JO-JO'S Transport	Hire of Flatbed Truck	104 000	L. van der Linde	An Emergency
15	Kimberley Clothing	Sports Wear for Southern African Inter-Municipal Games	32 975	R. Mathapeng	An Emergency
16	WEIRD	Hire of 2 Tip Trucks	260 832	L. van der Linde	An Emergency
17	MBW Building Construction	Hire of Flatbed Truck	104 000	L. van der Linde	An Emergency
18	P.E. V.D. Sandt H/A Diesel Tech	Hire of Flatbed Truck	208 000	L. van der Linde	An Emergency
19	Kotze Earthmoving	Hire of Grader	197 600	L. van der Linde	An Emergency
20	WEIRD	Hire of Front End Loader	291 200	L. van der Linde	An Emergency
21	WEIRD	Hire of Grader	202 800	L. van der Linde	An Emergency
22	Marcu Handelaars	Hire of Boimag Roller	150 800	L. van der Linde	An Emergency
23	K.K.M. Consulting Engineers	Appointment of Project Manager for Bucket Eradication System	1 208 400	B. Dhlwayo	An Emergency & Exceptional
24	Woodrow Engineering sales	Bradley Soft Starters for Newton Water works	79 863	R.D. Pretorius	Sole Provider
25	Comforce CC	Pre Cast Toilet Structures	54 720	D. Leeuw	Sole Provider
26	C-Pac Pumps & Valves	Electrical Panel for Second Lot Gonex Butterfly Valves at Riverfont	31 941	R.D. Pretorius	Sole Provider
27	Sokela Consulting	Integrated Financial Systems	2 081 622	M. Nlangani	An Emergency & Exceptional
28	Sight Lines Pipe Survey Services	Hire of Pressure/Vacuum Unit	79 572	G. van Wyk	An Emergency
29	C-Pac Pumps & Valves	Returbish HLP9/16/18 Allen Gwynn Pump	422 940	S. Coetzee	An Emergency
30	Barloworld equipment	Shoes - 6G4526	38 781	S. Greef	An Emergency & Sole Provider
31	ABB Powertech Transm & Dislr	Voltage transformer	30 055	R. Pretorius	Sole Provider
32	Rural Road Maintenance Africa	Asphalt	120 042	P. Van Wyk	An Emergency & Sole Provider
33	Mosegedi and Ass.	Installation of services in Lindani & Promised land	644 110	N. Mpolokeng	An Emergency
34	Alstom	Single busbar & Ext. Panel	370 742	R. Pretorius	Sole Provider
35	Maxima Global Engineering	N12 Re-alignment	826 501	O.J. Maimane	Exceptional Cases
36	Semo Consulting Engineers	Major/Minor Road Network	1 684 349	O.J. Maimane	Exceptional Cases
37	Vela VKE	Link Green Street & Nobengula Road	302 100	O.J. Maimane	Exceptional Case
38	Weird	Cement Bricks	2 747 270	O.J. Maimane	An Emergency
39	Teloc (Pty) Ltd T/A Malume	Cleaning of stormwater lines	58 026	P.G. van Wyk	An Emergency
40	Alstom	Alstom Switchgear	1 729 688	R. Pretorius	Sole Provider
41	Semo Consulting Engineers	Water level of Kamfersdam Pan - consultation	650 912	B. Dhlwayo	An Emergency
42	Translech	Repair refuse compactor D906	99 180	M. Sleyh	An Emergency & Sole provider
43	Phuthanang Trading	Remove and move rubble to the dumping site	66 880	T. Khweshwe	Exceptional cases
44	Barloworld Equipment	Replace circle GP & Labour	54 811	M.P. Arthur	An Emergency & Sole Provider
45	C-Pac Pumps & valves	Pumps inadequate & needs to be upgraded	55 769	C. Marsh	An Emergency & Sole Provider
46	Huber Technology	Screen at the inlet of the works deteriorated	97 504	G. Coms	An Emergency & Sole Provider
47	Charles Welding & Hyd. Works	Modify existing pipe line	59 986	G. Coms	An Emergency
48	RRM Africa	Hot Premix for road patching	120 042	P.G. van Wyk	Sole Provider
49	RRM Africa	Hot Premix for road patching	66 690	P.G. van Wyk	Sole Provider
50	Teloc (Pty) Ltd Ua Malume	Cleaning of Stormwater pipes with high pressure machine	55 176	P.G. van Wyk	An Emergency
51	Comforce cc	Erect structures for basic services	45 800	P. Mohalelo	Sole Provider
52	Teloc (Pty) Ltd Ua Malume	Hire high pressure vacuum	55 347	D.H. Leeuw	An Emergency
53	ABB SA (Pty) Ltd	Reyrolle Equipment	81 499	R. Pretorius	Sole Provider
54	RRM Africa	Hot premix for road patching	186 732	P.G. van Wyk	Sole Provider
55	Hilachi	Repair Diff	44 150	S. Greeff	Sole Provider

**REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF THE SOL PLAATJE MUNICIPALITY FOR THE
YEAR ENDED 30 JUNE 2008**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Sol Plaatje Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies, other explanatory notes and accounting officers report, as set out on pages ~~xx to xx~~.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements on basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of accounting

4. The municipality's policy is to prepare financial statements on basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Basis for disclaimer of opinion

Property, plant and equipment

5. The completeness, existence, valuation as well as rights and obligations of property, plant and equipment (including infrastructure assets) to the value of R464 856 373, as contained in note 10 to the financial statements, could not be verified due to the following matters:
 - Sufficient appropriate audit evidence could not be obtained for asset additions for the year, amounting to R35 786 714 (2007: R29 295 656). Owing to the lack of supporting documentation for these additions, no alternative procedures could be performed.

Comment:

This resulted from the fact that assets were posted in totals in terms of the projects completed in that financial year. Documents with regards to the acquisition of assets are kept by the directorate responsible for implementing such a project. Financial services directorate keeps all records that relates to the payments thereto and capitalisation is based on total paid.

Action Plan:

The asset management unit will work hand in hand with the directorates when such assets are being capitalised to ensure that the payments in terms of the system are reflected in the project files and that cross referencing with the project file takes place.

Implementation Date:

Looking at the time, this will addressed when preparing the annual financial for 2009 when the capital assets are being capitalised for recording in the asset register.

- The asset register did not contain all the necessary information required with the adoption of GAMAP standards in order for me confirm the existence, valuation, rights and obligations as well as completeness of property, plant and equipment. Owing to these weaknesses in the asset register, no alternative procedures could be performed.

Comment:

The municipality did not have the asset management unit and consequently an official charged with the responsibility of managing and updating the asset register. This exercise was done on an ad hoc basis by budget and treasury office when the statements are being prepared.

Action Plan:

The unit has been established since December 2008 and they are working on the asset register. Some crucial activities like barcoding of loose assets took place already as well as the procurement of the asset management financial system.

Implementation Date:

The said system will be synchronised with the general ledger system by no later than 1 July 2009 and will be implemented as soon as the synchronisation is finalised.

- Assets to the value of R79 058 481 (2007: R32 529 143) were capitalised as global assets in the asset register instead of being recorded as individual assets. Owing to this limitation in the detail contained in the asset register, no alternative procedures could be performed.

Comment:

This can be linked to the problem of the municipality not having the asset management unit.

Action Plan:

During the bar-coding process, some of the assets have been identified individually and recorded as such in the register.

Implementation Date:

The asset management system will be implemented by 1 July 2009.

6. Due to the following matter, property, plant and equipment is not reasonably stated in the annual financial statements:
 - Finance leases were incorrectly treated as operating leases by the municipality, in contravention of paragraph 10(a) to (e) of IAS 17 *Leases*. This resulted in the understatement of property, plant and equipment by R2 508 251, finance lease liability by R2 610 783 and expenses by R102 532.

Comment:

The leases are currently being looked at in terms of the contracts that we have with the suppliers of the assets concerned.

Action Plan:

The asset management until already met with most of the suppliers of the leased assets and managed to get hold of the contracts of such assets. These contracts have been reviewed and correct classification is being considered based on the information gathered. Office of the Auditor General will be engaged as the classification in terms of the standards and recognition is currently a challenge.

Implementation Date:

This will be discussed with the Auditor General during the interim audit and will be corrected for the year end.

- Contrary to paragraph 76 of GAMAP 17, *Property, Plant and Equipment* the municipality has not disclosed the provision for restoration of the municipality's landfill site in Kimberley and the accompanying accounting policy. The cost has been estimated at R6 000 000.

Comment:

In terms of the exemptions, this non reporting was allowed.

Action Plan:

The action plan to phase in the implementation of the accounting standards has been developed and submitted to National Treasury. A consulting firm will be appointed to assist in the implementation of the standards for the preparation of the annual financial statements for 2009.

Implementation Date:

This will be resolved during the preparation of the annual financial statements.

Revenue

7. The completeness, accuracy and occurrence of revenue (property rates and service charges) amounting to R451 375 545, as contained in notes 19 and 20 to the financial statements, could not be confirmed or verified by alternative means due to the following matters:
 - Due to limitations identified in the functioning of the financial accounting system, I was unable to obtain sufficient audit evidence for individual revenue transactions amounting to R77 086 677.

Comment:

As mentioned in the finding, the root cause is the limitation of the financial system which has now been replaced.

Action Plan:

The completeness of data can only be verified by the auditor general in terms of the tests they will perform during the audit.

Implementation Date:

August / September 2009

- Supporting documentation for all meter readings could not be submitted.

Comment:

This is being looked at as these documents are always filed at a safe place.

Action Plan:

Discussions with the Auditor General will be conducted to look at alternative ways of verifying readings in cases where rout books are lost as you can still verify by referring to the following months rout lists.

Implementation Date:

Immediately

8. Due to the following matters, revenue (property rates and service charges) is not reasonably stated in the annual financial statements:

- I identified variances amounting to R11 295 152 between the actual meter readings and the readings recorded on the financial accounting system. The variances identified indicate that both revenue and consumer debtors have been understated by this amount.

Comment:

This is being looked at as these documents are always filed at a safe place.

Action Plan:

Discussions with the Auditor General will be conducted to look at alternative ways of verifying readings in cases where rout books are lost as you can still verify by referring to the following months rout lists.

Implementation Date:

Immediately

- The municipality identified 1 900 electricity meters at year-end that have been circumvented by the municipality. These consumers are therefore not charged any electricity levies, resulting in an understatement of revenue and debtors. The rand value of the loss in revenue amounts to R2 268 009.

Comment:

Due to the complications of the contract with regards to meters, prepaid vending and revenue protection, the infrastructure and services could not place orders with regards to the replacement of faulty meters as identified.

Action Plan:

There has been a corrective action that has been taken, an negotiations are continuing to enter into a contract on the above matter.

Implementation Date:

as soon as the contract is concluded and signed, action which is expected to be completed by no later than 29 May 2009 or earlier.

- Both consumer debtors and service charges are understated by R6 947 902. This amount represents debtors for whom no meter readings had been captured on the financial accounting system.

Comment:

This resulted from the fact that those debtors have by passed meters and as soon as the contract is finalised, procurement and replacement of such meters will be expedited.

Action Plan:

Debtors affected will have to be billed for use of services not billed for based on the average consumption after the installation and such debt will be collected over a period to be agreed upon by both parties.

Implementation Date:

As soon as the contract is concluded as per above

9. The above mentioned paragraphs also have an impact on the consumer debtors balance.

Accumulated surplus

10. At 30 June 2007, supporting documentation could not be provided for receipts of R1 701 856 classified as other income in the statement of financial performance. The occurrence, accuracy and completeness of these amounts, as included in the current year comparative figure for revenue and the current year accumulated surplus opening balance, could therefore not be confirmed.

Comment:

Proper filing of source documents is a problem. This is addressed with management so that executive directors can look at this.

Action Plan:

This needs to be investigated as the underlying reason is not clear. The administration section needs to meet with the affected sections to discuss this matter and advise accordingly in terms of the Archives act.

Implementation Date:

Immediately

Irregular expenditure

11. The municipality did not comply with the supply chain management policy for expenses amounting to R6 561 670. No evidence could be submitted to indicate that the formal process of evaluation of quotations, tenders and bids had been performed. This expenditure thus constitutes irregular expenditure in terms of section 1 of the MFMA, resulting in irregular expenditure as disclosed in note 36.3 to the financial statements being understated by this amount.

Comment:

This is based on each person's opinion, as what council sees as emergency and exceptional might not convince the other person. Executive Directors need to scrutinize the requests for deviations from supply chain by their line managers and make their own assessment before authorising.

Action Plan:

Supply chain policies needs to be revisited to define the terms that are used to motivate for the deviation and these will only be approved by the director after they satisfied themselves that the definition is applied correctly. The Municipality has however the authority to overrule.

Implementation Date:

The policy is reviewed annually during September and these inputs will be submitted and such definition will be deliberated upon by management during their meetings.

12. A contract entered into by the municipality does not meet the requirements of section 33(1)(a) to (c) of the MFMA. The contract and the related expense of the current year amounting to R1 215 170 are deemed to be irregular in terms of section 1 of the MFMA, and should have been disclosed as such in note 36.3 to the financial statements.

Comment:

This expenditure refers to a contract there was entered into during the previous financial period and corrective action was taken by having it cancelled. This was a payment that was outstanding from the previous year.

Action Plan:

Corrective action already taken in the previous year by cancelling the contract.

Implementation Date:

2006/07 financial period

Bank overdraft

13. The salaries and wages bank reconciliation's cash book balance differs from the cash book balance of this account, as disclosed in the annual financial statements. Due to the fact that the reconciliation is inaccurate, I am unable to verify the completeness, valuation and existence of the bank overdraft amounting to R32 757 359.

Comment:

This is a matter of the procedure. The reconciliations referred to that leads to the auditors disclaiming the total amount of the cash book was clarified and supporting documentation was submitted to substantiate on the matter.

Action Plan:

This problem was also caused by the systems as the payroll system implemented gave rise to those differences and the payroll section and IT will work on the differences as the implementation is still ongoing.

Implementation Date:

Ongoing

Employee-related costs

14. Due to a limitation of scope imposed by insufficient supporting documentation, the accuracy, completeness and occurrence of prior year employee-related cost amounting to R209 019 018 could not be confirmed or verified by alternative means. Accordingly our auditor's report on the financial statements of the year ended 30 June 2007 was modified in this regard.

Comment:

This resulted from employees who could not reach the office of the auditors for verification.

Action Plan:

Human resources will devise other means to ensure that the list provided by the auditors for staff required to verify themselves will be handled appropriately and followed up with supervisors to ensure that the verification takes place. Transport arrangements will be made where needed.

Implementation Date:

Next audit

Value-added tax (VAT)

15. As a result of the limitations of the financial system, in that VAT levied by the system could not be traced to individual transactions, the completeness and existence of

the VAT payable at 30 June 2008 of R19 430 149 (2007: R26 534 171) could not be confirmed.

Comment:

This was a system problem.

Action Plan:

New system was acquired and implemented and the information is now available as required by the auditors.

Implementation Date:

1 July 2008

Disclaimer of opinion

16. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Sol Plaatje Municipality. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matter

I draw attention to the following matter:

17. The municipality overspent the approved budget on several items with R8 987 690. These amounts constitute unauthorised expenditure as defined in section 1 of the MFMA. The municipality disclosed this unauthorised expenditure in the note 36 of the annual financial statements.

Comment:

After discussions with the Auditor General, it was agreed that Sol Plaatje should table an item to Council for the ratification of this.

Action Plan:

An Item was tabled to Council last year already and this matter was then resolved.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Internal controls

18. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Property, plant and equipment	X	X		X	
Revenue			X	X	X
Accumulated surplus			X		X
Irregular expenditure			X		X
Bank overdraft			X		X
Employee-related costs			X		
Value-added tax			X		X
<p><u>Control environment</u>: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p><u>Risk assessment</u>: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and communication</u>: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

Comment:

Action Plan:

Implementation Date:

Non-compliance with applicable legislation

19. Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

- I could not obtain any minutes of the mayoral committee meetings, which made it impossible to determine whether these meetings were open to the public in terms of section 20 of the MSA.

Comment:

Action Plan:

Implementation Date:

20. Municipal Finance Management Act

- Contrary to requirements of section 125(2)(e), the financial statements do not contain disclosure of particulars of all non-compliance with the Act.

Comment:

Compliance with MFMA has been a general problem.

Action Plan:

Management has taken a resolution to set up committees that will assist in looking the compliance issues on this act.

Implementation Date:

Management has agreed that they will be the MFMA Steering Committee and that this subject will be a standing item in their agendas for future.

- Contrary to the requirements of section 60(a), the National Treasury indicated in a letter dated 10 April 2008, that the progress with the implementation of all the MFMA's requirements was not satisfactory, indicating that the accounting officer did not fulfil his duties in terms of this section of the MFMA.

Comment:

All those issues are currently being address by means of delegated authority and performance agreements that are signed by the directors.

Action Plan:

This will be reviewed quarterly and will be amended as and when necessary.

Implementation Date:

Immediately

- Contrary to the requirements of section 78(1)(b), which states that the financial and other resources of the municipality must be utilised effectively, efficiently, economically and transparently the following issues were identified.
 - Due to the nature of the internal controls at the municipality, it received disclaimer of opinions, consecutively, for the past eight years.
 - The municipality's consumer debtors increased by R27 415 356 and the municipality wrote off debts amounting to R228 076 165 during the year.
 - The municipality's overdraft bank account increased by R5 116 917, indicating that the resources of the municipality were not used in an effective, efficient and economical way.

Comment:

There was no other option but to have that debt to be written off as it was inflating the debtors book.

Action Plan:

The write off was approved by Council.

Implementation Date:

The Financial Services Directorate considers appointing the credit management services to assist with the collection of debt which will improve the collection rate of the municipality and consequently reduce the debt before it gets old and becomes irrecoverable.

- No physical verification of assets was performed during the year under review. The accounting officer has therefore not taken all reasonable steps to ensure that the municipality maintains a management system that accounts for the assets of the municipality, and whether the municipality maintains an effective system of internal control of assets, as required by section 63.

Comment:

Asset verification could not take place as there was no unit to deal with that kind of exercise.

Action Plan:

Asset management unit has been established and have resumed with asset verification processes since September/October 2008 by way of bar-coding.

Implementation Date:

The exercise will be completed as soon as the system is fully functional.

- Contrary to the requirements of section 115(1)(b), the municipality did not have an approved fraud prevention plan.

Comment:

The Municipal has formulated a draft Fraud and Ant-Corruption Policy and a draft Fraud Prevention Plan. These documents have been tabled at the Policy Committee.

Action Plan:

The Policy Committee is due to meet on 30th April 2009; the committee shall be requested to prioritise the discussion and ratification of the Policy and Plan.

Implementation Date:

Upon approval by council.

- Contrary to the requirements of section 171(4)(a), the municipality did not investigate allegations that were made during the performance of the audit that the municipality suffered losses owing to the misappropriation of pre-paid electricity. The extent of the losses suffered by the municipality could at the time of the finalisation of the audit not yet be confirmed or quantified and no disclosure of the possible losses or any criminal or disciplinary steps taken was made in the financial statements, as required by section 125(2)(d)(i) and (ii) of the MFMA.

Comment:

Action Plan:

Implementation Date:

Matters of governance

21. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Audit committee		
<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. <p>Comment: Council has appointed the audit committee on the 7 May 2008. Presently the 5 audit committee meetings have been held to discuss the internal audit reports and other matters as requested by management.</p>		X
<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	X	
<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. <p>Comment: Council has appointed the audit committee on the 7 May 2008. Presently the 5 audit committee meetings have been held to discuss the internal audit reports and other matters as requested by management.</p>		X
Internal audit		
<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	X	
<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	X	
<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. <p>Comment: The matter referred to above was discussed with AG and was agreed that they will remove from the report however it was not.</p> <p>The internal audit plan for the year ending June 2008 was</p>		X

<p>completed except the two (2) projects i.e. Payroll and GURP.</p> <p>Payroll: Due to the fact that the municipality was switching over to the new financial system it was agreed that the audit be postponed to the new financial year (08/09) to allow the full data to be transferred. The matter was tabled to the audit committee and it was approved that the project be carried over to the 08/09 internal audit plan.</p> <p>GURP:</p> <p>Due to the number of Ad Hoc assignment that were requested by management and with our internal capacity constraints the project was also moved to the 08/09 year.</p>		
Other matters of governance		
<ul style="list-style-type: none"> • The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA). 	X	
<ul style="list-style-type: none"> • The draft annual report was submitted to the auditor for consideration prior to the date of the auditor's report. 	X	
<ul style="list-style-type: none"> • The financial statements submitted for audit were not subject to any material amendments resulting from the audit. 		X
<ul style="list-style-type: none"> • No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management. <p>Comment:</p> <p>Action Plan:</p>		X
<ul style="list-style-type: none"> • The prior year's external audit recommendations have been substantially implemented. <p>Comment:</p> <p>Action Plan:</p> <p>Implementation Date:</p>		X
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
<ul style="list-style-type: none"> • The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007. 	X	
<ul style="list-style-type: none"> • The municipality substantially complied with the implementation plan it submitted to the National Treasury and 	X	

the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.		
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 	X	

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

22. I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

23. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

Responsibility of the Auditor-General

24. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

25. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

26. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

27. Contrary to the requirements of the MSA, I found that there was no community involvement in the following areas:

- Implementation of the integrated development plan (IDP) (regulation 15).
- Development, implementation and review of the performance management system (section 42 and regulation 15).
- Participating in the setting of key performance indicators (section 42 and regulations 9, 15, 13(1) and 13(4)(c)).
- Setting of targets (section 42 and regulation 15).
- Monitoring of the municipality's performance in relation to the key performance indicators and performance targets (regulations 13(4)(c) and 15(2)).

Comment:

Public participation during the 2007/08 was not up to standard mainly due to the then Executive Mayor not being involved in the IDP Public Participation Process as prescribed in the Process Plan adopted by Council. It was not possible to organise meetings with the IDP Representative/Business Forum without his involvement.

Action Plan:

Public Participation will take place during May 09 (should have happened during April as well but was postponed due to elections) as well as each Quarter thereafter.

Implementation Date:

Immediately

28. Contrary to the requirements of regulation 1 of the MSA, I found that no outcome indicators, which measure the quality and impact of an output, have been included in the key performance indicators.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Action Plan:

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the

issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Implementation Date:

Immediately:

29. The municipality has not established mechanisms to monitor and review its performance management system in accordance with section 40 of the MSA.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Action Plan:

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Implementation Date:

1 July 2009

30. Contrary to the requirements of section 57(1)(b) of the MSA, the annual performance agreements for the municipal manager and senior managers of the municipality have not been linked to the measurable performance objectives as

contained in the budget, the service delivery and budget implementation plan (SDBIP) and the key performance indicators.

Comment:

This has been attended to for the remainder of the 2008/09 FY. Performance Agreements have been signed.

Action Plan:

Implementation Date:

Immediately

31. The mechanisms, systems and processes for monitoring the performance management system do not adequately provide for corrective measures where underperformance has been identified, as required by regulation 13(2)(c) of the MSA.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Action Plan: .

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Implementation Date:

Immediately

32. I compared the final proposed budget of the municipality for the period 2007-08 to 2009-10 with the priorities, targets and objectives as per the IDP, and found that the two documents were not aligned, which is contrary to regulation 6(a) of the MSA.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Action Plan:

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Implementation Date:

Immediately:

33. Contrary to the requirements of regulation 13(3)(a) of the MSA, the input indicators, as reported on in the quarterly budget and performance reports, do not measure the costs and resources used to produce an output in respect of key performance indicators and performance objectives set by the municipality.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will

address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Action Plan:

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Implementation Date:

Immediately:

34. Contrary to the requirements of section 53(3)(a) of the MFMA, the municipality did not publish its SDBIP and the performance agreements with senior officials of the municipality within 14 days of approval.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Due to the development of the website which was still in progress at that stage, the performance agreements could not be published.

Action Plan:

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Performance agreements for the remainder of the 2008/09 FY and thereafter will be published on the municipal website.

Implementation Date:

Immediately

35. Contrary to the requirements of section 53(3)(b) of the MFMA, the mayor did not submit the performance agreements of senior officials of the municipality (including the municipal manager) to council and the member of the executive committee for local government in the Northern Cape Province.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Action Plan:

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Implementation Date:

Immediately:

36. Contrary to the requirements of section 11(3)(a) of the MSA, I was unable to obtain an approved policy for the process followed by the municipality to deliver the SDBIP.

Comment:

A Process Plan was adopted by Council indicating the process for IDP Review, SDBIP and Budget. It is not deemed necessary to also have a policy, especially when the process is described in detail in the Act, Regulations and Circulars.

Action Plan:

Complied with.

Implementation Date:

Immediately

37. Contrary to the requirements of section 72(1)(a)(iii) of the MFMA, the accounting officer did not assess the municipality's performance for the first half of the financial year by 25 January 2008.

Comment:

The PMS Policy Framework adopted by Council in 2004, and which was not fully implemented, is in the process of being reviewed and will address most of the audit findings in the 2007/08 AG Report. A draft Policy Framework has been circulated to internal stakeholders for comment and it is foreseen that the approval process will be completed by June 2009. This will ensure that this policy be fully implemented during the 2009/10 financial year.

Action Plan:

Service providers with expertise in both IDP/Budget link and Performance Management (SDBIP and Section 57 Managers Performance) have been sourced to assist the Municipality to ensure a credible link between the IDP, Budget, SDBIP and S57 Managers Performance and to address the issues founded in the AG's Report. All these findings should therefore have been addressed from the 2009/10 financial year.

Implementation Date:

Immediately:

Evidence materially inconsistent with reported performance information

38. I found that the information reported on by the municipality in the fourth quarter's budget and performance report, did not agree to a report of electricity losses obtained. The electricity loss report indicates an electricity loss of 13,37% for the year, while the fourth quarter budget and performance report indicates an electricity loss of 20% for the year.

Comment:

This was a problem of a breakdown in proper reporting and not adhering to proper management processes.

Action Plan:

Processes have been put in place to improve management processes and procedures, especially in terms of capturing, maintaining and reporting of performance information.

Implementation Date:

Immediately

Performance information not received in time

39. Contrary to the requirements of section 121(3)(c) of the MFMA, the entity did not submit its report relating to performance information for evaluation as part of the audit process. This issue was also raised in the prior year.

Comment:

Performance information was submitted in time. There was a dispute with the AG in terms of when the Annual Report was supposed to be submitted but the Performance Information was submitted when requested.

Action Plan:

Dealt with

Implementation Date:

Immediately

APPRECIATION

40. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Kimberley

29 November 2008



AUDITOR-GENERAL